

Knesset Backs Sharon Plan; Envoy to U.S. Replacing Him

By Edward Walsh
JERUSALEM — In a subdued atmosphere, the Israeli parliament Monday night approved Prime Minister Menachem Begin's plan to keep Ariel Sharon in the cabinet despite severe criticism of Mr. Sharon by the commission that investigated the Beirut massacre of Palestinian refugees.

At a ceremony at the Defense Ministry in Tel Aviv on Monday morning, Mr. Sharon formally gave up his position as defense minister, a post he had held since 1981.

In a telephone call to Mr. Begin during the morning, Mr. Sharon, Israel's ambassador to the United States, agreed to accept the defense post, the second most important and powerful in the Israeli government.

Officials said Mr. Sharon was expected to arrive in Israel late this week or early next week for several days of talks about his new duties. He will then return to Washington to conclude his affairs there before assuming the defense job.

The replacement of Mr. Sharon by Mr. Arens is not expected to change Israel's policy. The 57-year-old aeronautical engineer is as hawkish as his predecessor or Mr. Begin, particularly on the issue of the future of the occupied West Bank and Gaza Strip.

The Knesset, or parliament, voted 61 to 56 to approve the decision by the cabinet Sunday to transfer the defense minister's duties to Mr. Begin until the new defense minister is officially installed.

The plan allows Mr. Sharon, condemned by the inquiry commission for the "grave mistake" and "blunders" that led to September's massacre, to remain in the cabinet as a minister without portfolio.

The inquiry board recommended that Mr. Sharon resign from the government or, if he refused, that Mr. Begin dismiss him.

The shuffle of cabinet responsibilities as a way around the commission's recommendation was denounced in a front-page editorial in the newspaper Ha'aretz on Monday as making a "farce" of the commission's report.

But this and other criticisms of the Begin decision had no impact on the floor of the Knesset.

The Loyalty of Begin Officials Say Decision on Sharon Was as Much Personal as Political

By David K. Shipler
JERUSALEM — Prime Minister Menachem Begin's willingness to retain Ariel Sharon in his cabinet, even after insisting that he resign as defense minister, appears to have grown out of both political calculation and personal sentiment, officials here say.

According to several people acquainted with Mr. Begin's thinking, the prime minister was motivated by a desire to avoid decisions from his government and a crisis in the governing coalition that would have resulted had Mr. Sharon been forced out of the cabinet.

In addition, despite reports that he was annoyed recently by aspects of Mr. Sharon's behavior, Mr. Begin is said to have acted out of a combination of "personal" loyalty, awe of military men and admiration for Mr. Sharon's tough determination in carrying out hard-line policies.

How the shift will affect policymaking depends in some measure on what new role Mr. Sharon manages to carve out for himself within the complex political dynamics in the cabinet. He has both strong opponents and strong supporters among the ministers and is widely disliked in the army.

Mr. Sharon's departure from the powerful position of defense minister may have some bearing on the tactics and tone of Israeli actions in the international arena, officials say. But it seems unlikely to have substantial impact on policy, since the basic structure of Israel's approach to major international issues, such as Lebanon and the West Bank, has been determined principally by Mr. Begin's concepts, which remain intact.

The most immediate effects are likely to be felt in the negotiations with Lebanon and the relationship with the United States. Primary responsibility for the Lebanon negotiations, which seek to create conditions under which Israel would be willing to withdraw its forces, is now expected to shift away from Mr. Sharon, to the Foreign Ministry, where a less dogmatic approach to solving some of the difficult problems is foreseen.

That does not mean an abandonment of Israel's fundamental demands for a security zone in southern Lebanon and a modicum of normal relations with its northern neighbor.

In recent weeks Mr. Sharon caused relations with the Lebanese Christian Phalangists to worsen by threatening them with a withdrawal of Israeli protection if they did not persuade President Amin Gemayel of Lebanon to be more forthcoming. In his public and private comments Mr. Sharon was also responsible for much recent friction with the Reagan administration.

It remains to be seen how much influence he will be able to retain. Without the defense job, he immediately loses control over the army and, presumably, relinquishes his seat on the Ministerial Defense Committee, a five-man group within the cabinet that has special authority over security and military matters.

He is no longer expected to be automatically privy to highly classified information that is circulated only within a restricted circle.

Nevertheless, his strong personality, his passion for authority and his activist approach to politics argue for a high-profile effort to hold onto significant power. Officials say Mr. Begin is likely to consult him on military matters.

During his year and a half as defense minister, Mr. Sharon amassed enormous power, so much



Ariel Sharon reviewed an honor guard as he left the Defense Ministry in Tel Aviv Monday, his last day as defense minister. He becomes a cabinet minister without portfolio.

100 Killed in Assamese Villages; 25 Others Slain as Elections Start

United Press International
NEW DELHI — Armed gangs killed at least 100 persons in a night attack on a cluster of 15 villages in the northeastern state of Assam, officials told United News of India on Monday.

News of the weekend attack came as crucial state elections opened amid violence that claimed 25 lives Monday. The latest killings raised the death toll to 215 after two weeks of violence between Assamese and Bengali immigrants.

The independent news agency said the attack on 15 villages in the Gohpur area of Darrang district started about midnight Sunday and lasted until Sunday morning.

Violence, combined with a call to boycott the polls, disrupted voting in many urban areas, where turnout was poor, election officials said.

Prime Minister Indira Gandhi's Congress-I Party won four uncontested seats in Assam's state assembly, early results showed. Mrs. Gandhi's candidates were expected to do well because all opposition parties except the Marxists boycotted the weeklong election and the Bengalis support the prime minister's policies.

About half the nine million Assamese also were believed to be boycotting the vote to protest Mrs. Gandhi's refusal to strip about four million Bengali immigrants of voting rights. Militant Assamese, who say they fear cultural annihilation by the Bengalis, had demanded that the elections be postponed until the immigrants were expelled.

Seven persons died Monday when arsonists set fire to more than 150 houses in Gogolmari, a village about 60 miles (95 kilometers) northeast of Gauhati, the principal city of Assam, officials said. About 750 people were left homeless.

Police shot two persons to death while dispersing Assamese trying to disrupt voting in scattered areas near Gauhati, officials said.

Clashes earlier between Assamese and Bengalis armed with homemade bombs, spears and iron rods killed 14 persons, and police shot two anti-election rioters to death in Dighoi, 25 miles north of Gauhati, officials said.

The Press Trust of India reported moderate to heavy turnouts in statewide elections for the lower house of Parliament and the state assembly in the districts of Cachar and North Cachar, strongholds of the Bengali immigrants.

Voting Monday was confined to areas of Assam where Bengalis outnumber Assamese. Most government officials live in these areas, the Press Trust of India said.

Reagan to Study Allied Ideas for Compromise on Missile Accord

By Bernard Gwertzman
New York Times Service
WASHINGTON — President Ronald Reagan has agreed to consider recommendations from key allied leaders that he propose a compromise plan to the Soviet Union on reducing the number of medium-range missiles in Europe, but there are "no specific plans at present" for the United States to make such offer, White House officials said Monday.

Mr. Reagan has been insisting on complete elimination of such missiles under his own proposal, which has been called "the zero option."

The officials said that on Friday Vice President George Bush, just back from a 12-day trip to Western Europe, told the president that several allied leaders had expressed a desire for what they called an "interim solution" to the missile issue.

Mr. Bush was also reported to have told Mr. Reagan that by proposing an interim missile solution, he would help the allies to persuade their own constituents that the United States was making a serious effort to achieve an arms control agreement with the Russians at the same time that plans were being pursued to deploy new U.S. missiles in Europe.

But the White House spokesman, Larry M. Speakes, said Monday, "There are no specific plans at present of the U.S. making an interim proposal." He added, in response to a question, "If there is anything that would enhance [the zero option], we would look at it."

On Sunday, Mr. Bush said, "I have reported in confidence to the president and he will be making a determination on whether we should do something different in order to encourage the Soviets to do what we've asked."

Under the zero-option approach, the United States would forgo plans to deploy 572 new Pershing-2 and cruise missiles in several European countries, starting at the end of this year, if the Soviet Union would agree to dismantle all of its 340 SS-20 missiles in Europe and Asia, and the 240 older SS-4s and SS-5s in Europe.

Yuri V. Andropov, the Soviet leader, has rejected the zero approach, and has offered instead to reduce the number of Soviet missiles in Europe to 162, equivalent to the number of French and British missiles already in place, if the

Defend Arms Buildup, Reagan Officials Told

By Lou Cannon
and David Hoffman
Washington Post Service
WASHINGTON — The White House is mounting what a senior administration official calls "a full-court press" in an effort to reverse a growing public perception that the United States is spending too much money for military purposes.

The unannounced campaign is intended to counter a trend in public opinion that has emboldened congressional critics of President Ronald Reagan's military budget. Prominent administration officials who rarely speak on military matters have been instructed to defend the U.S. buildup at every opportunity.

William I. Greener Jr., a spokesman for the Pentagon and White House in the Ford administration, has been brought in as a consultant to coordinate speeches and public statements. White House officials say that, within the next few weeks, Mr. Reagan will make another televised appeal for his military budget, probably tied to a key vote in Congress.

"He needs to go on television, he needs to build support in Congress," a Reagan political operative said. "The case is still there to be made, but the paradox is you've got to make it in such a way that it does not awaken the nuclear freeze impulse."

Mr. Reagan has been complaining, publicly and privately, that support for his military policies has eroded in the face of a "drumfire" of media criticism.

Last week, the president told a group of editorial writers in the White House that he thought this criticism had "created a false belief among too many people in this country that, maybe, in one or two years, we've solved the problem, but we've got a long way to go before we really can say that we are able to meet the first prime responsibility of the national government, which is to be able to guarantee the safety and security of the nation and our people."

The White House communications director, David R. Gergen, said the turning point in administration perception began with a Louis Harris survey in Business Week magazine in November that showed a two-year decline, from 71 to 57 percent, in the number of Americans who thought that the United States needed to spend more on military defense.

Mr. Gergen said that other surveys, including those by Richard B. Wirthlin for the White House, have since reported similar findings.

In January, a Washington Post-ABC News poll showed that 59 percent of Americans believed the military budget should be cut to reduce the federal deficit. This was up from 41 percent a year ago.

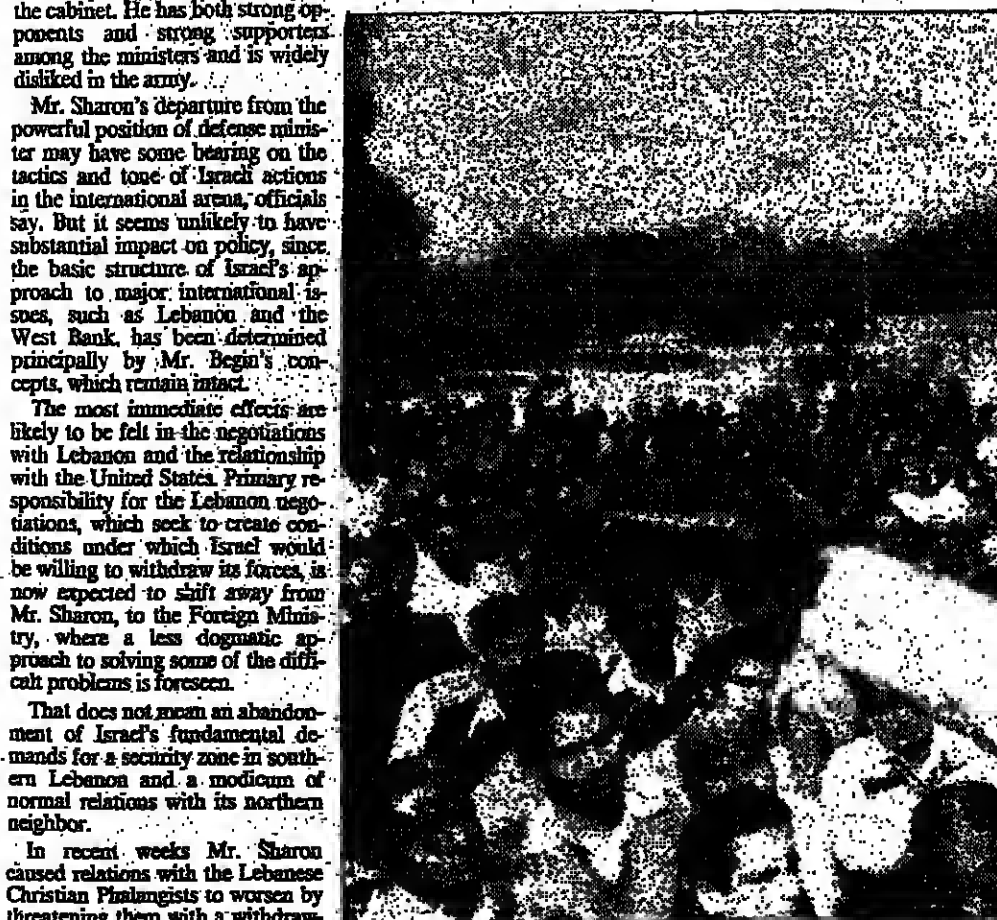
These findings coincided with the concern of national security officials that the secretary of defense, Caspar W. Weinberger, was being left out on a limb while some White House officials undermined the president by failing to campaign ardently for the military buildup.

The White House chief of staff, James A. Baker 3d, was especially suspected of taking a less-than-enthusiastic view of the buildup.

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Holding a sign reading "Rape of Ballot in Assam," supporters of the opposition Bharatiya Janata Party leader, Atal Behari Bajpayee, listened Monday as Mr. Bajpayee delivered a speech condemning the statewide elections.

GM, Toyota Agree on Joint Production in U.S.

United Press International
DETROIT — General Motors Corp. and the Japanese firm Toyota Motor Co. — the world's No. 1 and No. 3 automakers — announced a \$300-million deal Monday to jointly build subcompact cars at GM's unused plant in Fremont, California.

The announcement of the agreement in principle was made simultaneously in Detroit and Tokyo. The GM chairman, Roger Smith, said the two companies would sign a "memorandum of understanding" Thursday in Fremont. Detailed agreements will be negotiated later.

The deal fills GM's need for an economical subcompact and provides Toyota with a relatively low cost entry into the United States market. "We need a new entry into the subcompact end of the business that attracts first-time buyers," Mr. Smith said.

The two companies will jointly build 200,000 cars a year for up to 12 years to be marketed by Chevrolet dealers. The price of the so-called T-cars would be about \$6,000, according to a trade publication. Body assemblies, seats, most interior trim and other components will be produced in the United States. Toyota is to supply engines and technology.

Each of the automakers will put up \$150 million for the venture. GM's share will amount to \$20 million cash and \$130 million in the form of the Fremont plant.

A board of directors will be composed of equal numbers of GM representatives and Toyota officials, Mr. Smith said. Although it has been reported the chairman of the board will be from Toyota, the GM chairman has said that decision will be made by the GM-Toyota board.

Mr. Smith said the Federal Trade Commission and Japanese government authorities would review the transaction. He added it is also subject to "the negotiation of a satisfactory labor agreement."

He said the venture would produce 3,000 jobs immediately in Fremont while an estimated 9,000 more "could be dedicated" later to the operation. A stamping plant is to be built next to the assembly plant. He said construction would start immediately and would take about 12 months.

Mr. Smith said GM believed the agreement is "the best thing to do" to provide those jobs.

A "fast start team" has been assembled to prepare the plant for production, which Mr. Smith said could begin by October 1984. The cars would then go on sale in 1985.

Owen Bieber, vice president of the United Auto Workers, who heads the union's GM Department, said the agreement was "good news for laid-off UAW members."

Mr. Bieber said the UAW's position is that union members will fill the jobs at the plant — a point that has not yet been made final. However, it is unlikely the companies would use nonunion labor.

Analysts disagreed on Toyota's reasons for joining with the American firm.

David Healy, an analyst with Drexel Burnham Lambert in New York, said Toyota is trying to "damp down protectionist sentiment" that has been fueled by so-called congressional "content" legislation calling for Japanese companies to build cars in the United States.

But another analyst, MaryAnn Keller, said Toyota "is not about to give away a small car that's brand new in the hopes of stifling protectionism." She said Toyota is entering the domestic industry with a much smaller investment than the \$500 million that Honda and Nissan each spent to build their plants in Ohio and Tennessee.

Mrs. Keller said Toyota is being perceived as a "superior manufacturer" that has come to GM's aid.

GM also has agreements with the Japanese automakers Isuzu and Suzuki to import additional small cars.

Negotiators in Lebanon Talks Draft Points of Agreement

New York Times Service
BEIRUT — Progress was reported at talks Monday in the Beirut suburb of Khaldé between Lebanese, Israeli and U.S. negotiators on withdrawal of foreign forces from Lebanon.

Lebanese and Israeli spokesmen said after the daylong session that joint subcommittees were trying to draft final versions of points that had been agreed to.

A Lebanese government source said it was a step forward that the negotiators could now put into writing some points of agreement. He did not elaborate.

Monday's meeting in Khaldé was the 15th session of the three delegations since the talks began at the end of December. Philip C. Habib, President Ronald Reagan's

special envoy to the Middle East, is holding parallel contacts with Lebanese and Israeli government leaders in an effort to accelerate the negotiations.

Mr. Habib, who flew to Israel on Monday after two days of meetings in Beirut, was reported to be carrying a plan for a phased withdrawal of Israeli, Syrian and Palestinian forces from Lebanon within 10 weeks.

Sources at the conference in Khaldé were quoted by Israel Radio as saying that there was still disagreement between the sides on two main issues — early warning stations and the positioning of United Nations forces in a future security zone in southern Lebanon.

The radio said that the Israeli delegation said that it was not

abandoning its request for surveillance stations. The delegation also rejected a U.S. compromise proposal that UN troops man the stations, the radio said.

Israel is insisting that its troops operate three to five outposts in a security zone extending about 25 miles (40 kilometers) north of its border. Lebanon has categorically rejected the demand as an infringement of its sovereignty.

The Lebanese cabinet, meeting in emergency session Monday, issued a legislative decree entrusting the army with law-and-order duties in the country. The move is in preparation for the expected stationing of the regular troops in East Beirut.

The decree assigned wide powers to the commander of the army and placed the police force at his disposal. Under the legislation, troops will be empowered to search for weapons and apprehend those possessing or carrying them.

In November, Parliament gave the cabinet powers to rule by decree for six months. Monday's measure in effect will bring Beirut under martial law and allow the army to enforce the law.

The army commander is Major General Ibrahim Tannous, a Christian Maronite. He was appointed to the post after Mr. Gemayel was elected to a six-year term in September.

Meanwhile, a contingent of 1,200 U.S. Marines landed Monday in a routine rotation of American participants in the international peacekeeping force in Beirut. Additional French troops also arrived to join their contingent here.



U.S. marines rode a tank ashore near Beirut on Monday as a contingent of 1,200 men replaced units deployed as part of a multinational force in Lebanon since September.

Haddad Extends Enclave in Lebanon

BEIRUT (AP) — Saad Haddad, the renegade Lebanese Army major, declared Monday that he had extended the borders of his Israeli-supported enclave in south Lebanon to cover nearly one-fourth of the country, including the port city of Sidon.

"There is no need to proclaim our new state," Major Haddad said. "This state has been declared a long time ago. It stretches from the sea in the west to the Awali River bridge at Sidon's northern outskirts in the north."

Major Haddad, 43, said the eastern boundaries of his enclave now run from the Bekaa Valley town of Jib Jinnin to the slopes of Mount Hermon. The southern border of the enclave is Israel's northern frontier, he added.

"This state will remain in existence as long as large chunks of Lebanon are under occupation," he said. "Our objective is the liberation of the whole of Lebanon," he said. "Once it is liberated and united again, then our role will come to an end."

Major Haddad, who commands 1,500-man militia, established the enclave in 1978 on a 10-kilometer (six-mile) deep strip along the border with Israel upon the withdrawal of Israeli forces from southern Lebanon after a 91-day occupation.

PLO Council Convened in Algiers; Arafat Remains Firmly in Control

By David Lamb
Los Angeles Times Service

ALGIERS — The Palestine National Council convened Monday with Yasser Arafat firmly in control despite a challenge to his leadership and with most delegates clearly more interested in finding peace than in waging war.

Western political analysts do not expect the 360-member council — equivalent to a Palestine Liberation Organization parliament-in-exile — to make any dramatic policy shifts or undertake new initiatives during the weeklong meeting, but the tone and substance of its recommendations will be closely watched.

The convention is the Palestinians' first since the PLO was defeated by Israel in Lebanon last summer. It comes at a crucial period, with time apparently running out on President Ronald Reagan's Middle East peace proposal and with Mr. Arafat maneuvering to hold together the disparate factions of his organization.

In 15 previous congresses dating from 1964, the council — which has the reputation of operating far more democratically than any government in the Arab world — has usually followed the course charted by its executive committee.

That 15-member group ended its pre-convention deliberations Monday, and conference sources said its tone was moderate and distinctly nonbelligerent. They said that it gave Mr. Arafat, the PLO chairman, a mandate to continue exploratory talks with King Hussein of

Jordan that could lead to negotiations with Israel.

Predictably, the executive committee said that Mr. Reagan's proposal for self-government for the Palestinians of the West Bank and Gaza Strip in association with Jordan was insufficient because it fell short of full Palestinian independence. But the plan was not rejected out of hand, and this represented an important victory for Mr. Arafat, who has said that the Reagan contained "positive elements."

Committee members were said to believe that the so-called Fez plan, sponsored by the Arab nations, contained the "acceptable minimum" for the Palestinians. That plan called for an independent Palestine, recognition of the PLO as the sole representative of the world's 4.5 million Palestinians and, according to one interpretation, the implied recognition of Israel.

Israel has rejected both the Reagan and Fez plans, insisting that the Camp David accords constitute the only avenue toward peace in the Middle East.

Mr. Arafat, 54, who has led the PLO for 14 years, has been under attack by radical hard-liners in his umbrella organization since the PLO was forced to evacuate Beirut in August. Among their complaints are Mr. Arafat's discussions with Hussein, his efforts to improve relations with Egypt, his meeting with three Israeli leftists in Tunisia last month and his partial acceptance of the Reagan proposal.

Mr. Arafat let the hard-liners

have their say, then mustered his forces to maintain the leadership position. He is said to have the support of about two-thirds of the council's members, and observers noted that the language of the executive committee's resolutions represents the moderate tone that Mr. Arafat favors.

Traditionally, the PLO has spoken with a unified voice, but some delegates predict that the bickering over the various peace proposals might lead to two voices this year, one representing Mr. Arafat's majority, the other the radical minority.

What appears to have stymied significant movement toward any Middle East settlement, observers here said, is Israel's unwillingness to withdraw its troops from Lebanon and Washington's inability to pressure Israel into withdrawing. Even U.S. diplomats in the region doubt that there could be any solution to the 35-year-old Arab-Israeli conflict until the Lebanese crisis was resolved.

Egypt has suspended talks with the Israeli government on the "autonomy" of the Palestinians pending an Israeli withdrawal, and Hussein probably will not join in peace talks with Israel while Israeli troops remain in Lebanon, Western diplomats said.

PLO officials said that Mr. Arafat had been sending clear signals to Washington and Tel Aviv for weeks to indicate that he was ready to discuss concessions. But, these sources say, there has been no response, and this silence has heightened the radical opposition to Mr. Arafat within the PLO.

Marine, 'Cheerleader' for Israelis, Changes Mind After Lebanon Duty

By J. Michael Kennedy
Los Angeles Times Service

BEIRUT — Slowly, with each incident, Colonel Tom Stokes began to change his mind.

Once, Colonel Stokes said, he was "probably the biggest cheerleader for the Israelis in the U.S. Marine Corps." He had been to Israel. He liked the people, particularly members of the armed forces he met there.

But in October he came to Lebanon as commander of the U.S. contingent of the multinational peacekeeping force. Then the Israelis started messing with his men, testing them, even implying that one of his officers may have been drinking on duty.

"I had not seen the other side," Colonel Stokes said. "In the last 100 days, I have seen that other side."

Now, Colonel Stokes is "very disappointed" with the Israelis.

Colonel Stokes, along with the 1,200 marines assigned to him, is

leaving Lebanon on Tuesday and returning to the United States. He has been away for 11 of the last 12 months.

The men of the 24th Marine Amphibious Unit are being rotated out and 1,200 others are coming to replace them.

It has been 100 days during which a U.S. senator brought the marines 3,000 Valentine cards and another man from Columbus, Ohio, brought them 3,000 hot dogs.

But it has also been a time in which the Israelis tried on six different occasions to pass through Marine lines, while at the same time accusing U.S. troops of allowing Palestinian guerrillas to filter through their territory and carry out commando raids.

All that has gone a long way toward souring Tom Stokes.

The incident that particularly riles him is one involving Captain Charles Johnson, who singlehandedly stopped three Israeli tanks

from crossing into American-controlled territory Feb. 2.

The confrontation sparked such a furor that the Israelis held a press conference in which their tank commander, Lieutenant Colonel Rafi Landsberg, gave his version. Among other things, Colonel Landsberg said he invited Captain Johnson onto his tank and that he found the whole scene somewhat amusing.

Later, military sources in Israel leaked information to the press that Colonel Landsberg thought he had smelled liquor on Captain Johnson's breath during the mid-morning showdown.

"I know Landsberg didn't invite Chuck Johnson on that tank," said Colonel Stokes. "I know Chuck Johnson was not drunk at nine in the morning. I know Landsberg was not acting nice at the Lebanese university, the site of the incident."

"Hell, I had Chuck over here the other night, and I almost had to twist his arm to drink a beer," Colonel Stokes said.

At the Lebanese university, Captain Johnson and the rest of his men were preparing to get back to their ships and return home.

Some of the marines were inside, cleaning their equipment, while others were outside playing the semifinals of the company volleyball tournament.

Captain Johnson was in his office, boiling water for coffee. When asked about his reaction to the reports from Israel, he said he did not want to talk about it, that it was not worth talking about.

But Captain Johnson's first sergeant, Gerold McDougall, was not shy.

"We've been together for a year now," Sergeant McDougall said. "The men know what kind of man the captain is. It's just that the other side's got to throw stones."

Down the hall from Captain Johnson's office, other marines were sorting through 1,300 T-shirts that will be given to the marines before they leave for home.

While marines have said in the past that they are bored in Lebanon, that they wanted to do more, those interviewed Saturday said they were glad they were part of the unit chosen to come to Beirut.

It was, after all, their first major assignment with global importance since the Vietnam War. They had managed to carry off their 100 days in Lebanon without firing a shot.

And, if anything, it was better than being crowded on a ship in the 6th Fleet. It was a feeling that anything could have happened.

"They know something real could happen," said Lieutenant Adin Putnam. "That's got to be good preparation for the company."

Lieutenant Putnam said that about 25 percent of the company under Captain Johnson's command had volunteered to stay behind and help with any transition work that might be necessary. But because the Beirut assignment had stretched the marines a little thin, none would stay behind.

And when Colonel Stokes leaves Tuesday, there will still be someone from his family here. His son, Second Lieutenant Christopher Stokes, is arriving with the next wave of marines.

WORLD BRIEFS

House Leaders Back Jobs Bill

WASHINGTON (UPI) — The House Democratic leadership unanimously agreed Monday to support a \$4.3-billion emergency jobs program offered by the Republican administration of President Ronald Reagan.

The plan includes an additional \$2.9 billion for unemployment benefits and money for jobs to repair urban mass transit systems, highways, airports, and improve soil conservation, flood control programs and national parks. It also includes money for community and urban grants and for financing maintenance of Veterans Administration hospitals and other federal buildings.

Speaker Thomas P. O'Neill, Democrat of Massachusetts, said he hoped the bill could be put through Congress and be ready for Mr. Reagan's signature in two weeks. During a closed meeting Monday, the House Democratic Steering and Policy Committee voted to support the plan. Democrats had been seeking a jobs bill costing \$7 billion in \$10 billion.

Arms Talks 'Disappoint' U.S. Aide

BRUSSELS (AP) — A leading State Department official said Monday that the latest round of arms talks in Geneva was "disappointing" and that hints of a new Soviet approach had not materialized at the negotiating table.

"I think our experience to date, in the recent round, has been somewhat disappointing," said Richard R. Burt, assistant secretary of state for European affairs. "The Soviet Union is not taking a forthcoming approach. The kinds of hints they are giving various visitors who go to Moscow about what they are prepared to do have not panned out in the negotiations."

Mr. Burt made the remarks at a news conference after chairing a meeting of a NATO group monitoring the negotiations to reduce medium-range missiles in Europe. He declined to give any details of most recent negotiations.

3 Sought in Theft of Racehorse

DUBLIN (AP) — Police issued descriptions Monday of three men suspected of taking part in the theft of the missing stallion Shergar. The three were seen near the Ballymany stud farm in County Kildare, 30 miles (48 kilometers) west of Dublin, a day or two before the racehorse was stolen Feb. 7, a police spokesman said.

Police called the descriptions, provided by witnesses, a welcome lead in their hunt for one of the world's most valuable animals. Shergar, who won the Irish and English derbies in 1981, was retired afterward and put out to stud, where he had been earning fees of \$91,000 to \$104,000 for each foal produced.

The Irish Times of Dublin, meanwhile, reported that an unidentified London intermediary was negotiating with the thieves on behalf of Shergar's owners, a 35-member syndicate headed by the Aga Khan. But Guy Drion, the manager of the Ballymany stud farm, denied the report.

Hinckley Said to Be Out of Danger

WASHINGTON (UPI) — John W. Hinckley Jr., who took an overdose of drugs in his mental ward in an apparent suicide attempt Sunday, appeared to be improving Monday and was reported "out of immediate danger."

"He is no longer in serious condition. He has improved. He is now listed as stable," said Wayne Pines, a spokesman for St. Elizabeth's Hospital. But a spokesman for Greater Southeast Community Hospital, where Mr. Hinckley was taken Sunday from St. Elizabeth's, later clarified the condition report, saying, "Mr. Hinckley is still in serious but stable condition."

Pretoria May Bar Church Funds

PRETORIA (NYT) — The head of the security police urged Monday that the South African Council of Churches, the main ecumenical body in the country, be barred from receiving funds from foreign sources.

The council is headed by Bishop Desmond M. Tutu, a black Anglican who has associated it closely with movements of social protest on racial issues such as the compulsory resettlement of blacks in impoverished rural "homelands." Ninety-six percent of the council's funds are officially estimated to come from foreign churches, mainly in Western Europe.

Lieutenant General Johan Coetzee, the commander of the security police, recommended that these foreign funds be blocked. He made the recommendation during his third day of testimony before a judicial commission that the government appointed last year to investigate the church council's activities.

For the Record

TURIN (AP) — Fire officials said Monday that all emergency exits were unlocked as required by law when firefighters arrived at the burning cinema where 64 persons died Sunday evening. It was the biggest death toll from a fire in Italy since World War II. Three persons were seriously injured and dozens were treated for smoke inhalation, officials said.

GREENHAM COMMON, England (AP) — Eight women breached the perimeter fence at the U.S. air base here Monday in a protest of plans to deploy cruise missiles, and were detained for questioning, the Defense Ministry said.

MUNICH (UPI) — Two Poles were sentenced to jail terms of four and a half years each Monday for hijacking a Polish airliner to Munich on Aug. 25, using a fake bomb. Ryszard Paszkowski, 27 and Franciszek Szarski 25, said they had hijacked the plane to escape persecution and avoid economic hardships.

Defend Arms Buildup, Reagan Officials Told

(Continued from Page 1)

thusiasm approach to the military budget, since he had made it known in Capitol Hill that he agreed with some Republican senators that the budget could be reduced safely.

Other targets of the complaints from national security officials were two allies of Mr. Baker: Richard G. Darman, a presidential assistant, and David A. Stockman, director of the Office of Management and Budget.

"There has been a perception that there are only two people in the Reagan administration speaking out for defense — the president and Cap Weinberger," an official said recently.

The sensitivity of the military-minded members of the administration was heightened by the noticeable efforts of Mr. Baker and Mr. Stockman to persuade Mr. Reagan to make reductions in his proposed military budget, including a one-year freeze in military pay.

On the other hand, some officials close to Mr. Baker have complained that the Defense Department has not given them much of a case to take to the public.

"We asked for talking points and they brought over books," a White House official said. "It was difficult to understand what they wanted us to do."

This conflict came to a head in the final days of budget preparation late last month, sources said. It was spurred, they said, partly by Mr. Reagan's irritation at stories that he was being manipulated by his staff to reduce projected military spending increases and to make other budget concessions.

At a high-level White House meeting it reportedly was decided that senior-ranking staff members and Cabinet officials would try to make a frequent, and unified, case for the military budget.

The result has been a new, coordinated emphasis on military issues.

Last week on a U.S. television interview program, Mr. Stockman made an unusually strong case for the military budget in words similar to those often used by Mr. Weinberger.

Edwin Mose 3d, the White House counselor, emphasized the military issue in a subsequent interview. Even Mr. Baker, who usually focuses on economic and political issues, has begun to speak out strongly on behalf of the military buildup.

To counter the impression that the administration is lavishing budget resources on military while starving domestic social programs, Mr. Reagan and members of his administration have begun to point out that the military budget is only slightly higher than what Jimmy Carter had projected for the same year.

Mr. Carter's budget of January 1980 projected military spending outlays for fiscal 1984 of \$232.3 billion. The budget that Mr. Reagan recently sent to Congress called for military outlays of \$238.6 billion.

Coincidentally, this belated acknowledgment that Mr. Reagan is giving to his predecessor undercuts another favored presidential argument: that the Reagan administration has begun to reverse a long U.S. military decline.

Mr. Reagan has frequently, and accurately, observed that the trend toward spending a lower percentage of the gross national product on military began during the Kennedy administration. Usually, he has failed to add that a reversal of this trend began under Gerald R. Ford and continued under Mr. Carter.

Now, however, Mr. Reagan is more than willing to acknowledge the budgetary direction of his two immediate predecessors as he seeks to recreate a bipartisan coalition for his military budget.



Yasser Arafat, the PLO chairman, had a laugh at the Palestinian executive committee meeting in Algiers. With him were Abou Rachid, left, general secretary of the executive committee, and Khaled Fahoum, right, chairman of the Palestine National Council.

Pinochet Acts to Fight Chile Recession

SANTIAGO — President Augusto Pinochet of Chile reshuffled his cabinet Monday in what government sources said was an attempt to breathe new life into an economy in severe recession.

General Pinochet dismissed the minister of economy and finance, Rolf Luder, and switched one minister to a different cabinet job. With unemployment officially at 21.7 percent and the foreign debt at about \$17 billion, the economy and

finance portfolio was split between two new men. It had been combined in the previous reshuffle, last August.

Manuel Marin Saiz, an engineer and businessman, took over as economy minister, and the central bank president, Carlos Caceres, became finance minister. Monica Madariaga Gutierrez was moved from being justice minister to become education minister in place of Alvaro Arias, who was dismissed.

A new foreign minister had already been named. He is Miguel Alex. Schweitzer. Walter, Chile's ambassador to London, replacing René Rojas, who resigned last week. It was the 12th reshuffle since General Pinochet seized power in a rightist coup in which President Salvador Allende Gossens, a Socialist, died almost 10 years ago.

The new justice minister is Jaime del Valle, deputy rector of Santiago's Roman Catholic university.

Afghan Rebel Attack Reportedly Kills 41

ISLAMABAD, Pakistan — Moslem rebels have attacked the Jalalabad airport in Afghanistan and killed 41 Soviet soldiers in a burning building, according to a pro-guerrilla news agency. The agency also said about 30 helicopters had been destroyed.

The attack Friday was the third reported in two months against the Soviet-reinforced airport, 80 miles (130 kilometers) southeast of Kabul. The Afghan Islamic Press said Sunday that the raid brought to 117 the number of Soviet troops killed in attacks on the airport. The report could not be confirmed.

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Reagan Range Policy Gives Ranchers More Voice

By William E. Schmidt
New York Times Service

DENVER — Cattle ranchers in the West stand to gain a large measure of control over land and water resources on about 170 million acres (68 million hectares) of federally owned land under policy changes initiated by the Reagan administration.

Over the past year, the Bureau of Land Management, the part of the Department of the Interior that administers the largest share of U.S. public lands, has moved to give cattlemen a stronger voice in range management and pulled back from what some ranchers have regarded as overzealous attempts to limit the number of cattle that could be grazed on public rangeland.

Also, the agency is no longer seeking a blanket federal claim to water on public land. Instead, ranchers are being encouraged to file under state laws, for private title to water from artificial stock-watering ponds and wells even if the U.S. government owns the land.

Conservationists and some Bureau of Land Management officials in the West say that, by turning over increasing control to the cattlemen who lease the land, the government could substantially harm its ability to manage forage, water and wildlife resources on the public range.

Moreover, critics warn that, in most Western states, water rights are like property rights, which means the water can later be sold, separately from the land.

"Control of the water rights means effective control over the use of the surrounding rangeland," said Maitland Sharpe, an official of the Izaak Walton League of America, a national conservation organization based in Washington.

In addition, the Interior Department is studying an appeal by the cattle industry and a number of powerful political allies in the West, including Senator Paul Laxalt of Nevada, to rescind a 1976 executive order that withdrew from private control or ownership nat-

ral water holes and springs on federal land.

The decision to shift increasing control over the public range and its resources to the ranchers who use them is philosophically consistent with the Reagan administration's broad approach to controls of public lands.

At issue is the ultimate control of vast tracts of dry, desolate, sage-covered land that historically has been the province mainly of cowboys and cattle. Of 174 million acres of public land administered by the Bureau of Land Management in the lower 48 states, all but four million acres are leased as rangeland.

Cattle ranchers, who have long feuded with U.S. land managers over range policies, say manage-

ment decisions belong with those who use the land.

"We are the ones who develop wells in places where there is no water, and often at our own expense," said Bob Wright, a rancher from Wells, Nevada, who has been a leader in the drive to rescind the executive order that reserves to federal control any water holes on public rangeland.

Under the Carter administration, cattlemen were among the most vocal members of the so-called Sagebrush Rebellion, a coalition of Western ranching, mining and political interests that sought to loosen federal controls over national forest, park and rangeland in the West. In general, cattlemen say they are much happier with federal range policy under the Reagan administration.

The director of the Bureau of Land Management is Robert F. Burford, a Colorado cattle rancher who is openly sympathetic to the complaints of cattlemen. Before he took over as head of the agency, Mr. Burford clashed frequently with Bureau of Land Management officials in western Colorado. There were charges that he grazed cattle on land on which he did not hold a lease.

Critics of the new policy worry that, by allowing cattlemen more control over land and water resources, U.S. land managers will lose the leverage they need to assure that the lands are managed in the broadest public interest.

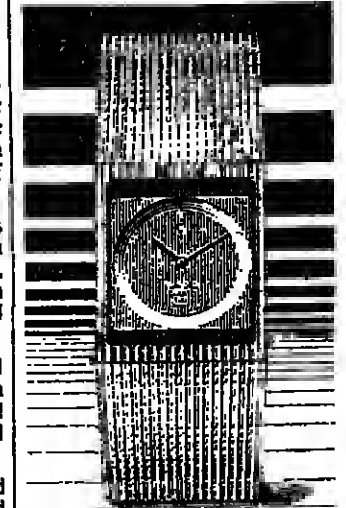
"The government cannot manage arid lands for multiple use if the right to develop and use water

is in private hands," said Frank Grege, director of the Bureau of Land Management in the Carter administration and now a visiting professor at the University of Arizona.

Compared with the furor over questions about mineral leasing on U.S. wilderness areas, range management receives comparatively little attention, even though rangeland is the largest part of public land in the lower 48 states.

"There's just no one out there of this land except cowboys, Bureau of Land Management specialists and a couple of bird watchers," said Dusty Zemberech, a resource specialist for the National Wildlife Federation.

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Renegade Democrat From Texas Voted to Congress as a Republican

By Wayne King
New York Times Service

HOUSTON — Representative-elect Phil Gramm returns to his job in Washington this week, with the biggest change being that he will do so as a loyal Republican, not as a renegade Democrat.

On Saturday, the voters in Mr. Gramm's conservative and, until now, mostly Democratic 6th Congressional District, who had elected him three times as a Democrat, gave him 55 percent of the vote. He resigned last month after Democratic leaders denied him a seat on the House Budget Committee because of his unyielding support last year of President Ronald Reagan's economic policies.

Mr. Gramm said Sunday that he would again sit on the Budget Committee, where Republican leaders have held a seat open for him. He also said that even though he was a born-again Republican he would keep the seniority he earned in two terms as a Democrat, and he

would be in line for the next Republican opening on the Energy Committee.

However, the consensus among those familiar with politics here is that while his victory was impressive in a district that had never before elected a Republican, he may actually have less influence and national exposure as just another Republican loyalist in Congress rather than as a Democratic supporter of the president.

Mr. Gramm, 40, defeated nine opponents in Saturday's special election, eight Democrats and a Libertarian. In complete but unofficial returns Sunday morning, he had 46,334 votes, or 55.1 percent of the total.

Dan Kubiak, a former state representative who was the chief Democratic challenger, received 33,162 votes, or 39.5 percent. Mr. Kubiak managed to win six small counties in the 14-county district, which stretches from suburban Houston to suburban Dallas.

The other candidates received fewer than 1,000 votes each. The only real question going into the election was whether Mr. Gramm would get more than 50 percent of the vote needed to avoid a runoff.

Although he did so easily, his margin was substantially less than in his victories as a Democrat, when he won with 64 percent in 1978, 80 percent in 1980 and 84 percent of the vote in November.

Mr. Gramm could have switched parties without resigning from Congress, but chose to do so and force the special election mandated by law.

Mr. Kubiak, in conceding, called his defeat a victory and repeated Democrats' assertions that Governor William Clements, a defeated Republican who was still in office when Mr. Gramm resigned Jan. 5, purposely set the election for Feb. 12 to give the Democrats too little time to raise enough opposition and money.

U.S. to Delay Buying Pain-Killer For Emergency Stock, Officials Say

By Judith Miller
New York Times Service

WASHINGTON — The Reagan administration, in part out of concern about public fears that the United States might be prepared to wage a limited nuclear war, has decided to defer purchasing large quantities of a pain-killing drug slated to treat victims of war and other national emergencies, according to government officials.

The officials, who said they did not wish to be identified, said the administration decided several weeks ago to delay the General Services Administration's purchase of about 10,000 pounds (4,500 kilograms) of morphine sulfate, an analgesic that is among the half-dozen drugs stored in the strategic stockpile for civil defense.

An official at the Federal Emergency Management Agency, which is responsible for civil defense programs, said the agency had recommended the deferral. He described the decision as "fairly routine."

But officials of other agencies said the decision was made at a National Security Council meeting headed by William P. Clark, President Ronald Reagan's national security adviser. Mr. Clark was required to settle what was described as a rather protracted policy debate, officials added.

The deferral was vigorously opposed by some State Department and Drug Enforcement Administration officials, according to these accounts. State Department officials were said to have argued that the decision could result in strained relations with Turkey, from whom the United States had agreed to buy the morphine. Drug officials also argued that canceling the purchase might hinder cooperation between Turkey and the United States aimed at stopping traffic in illegal narcotics, the officials explained.

Mr. Clark eventually decided, the officials said, that more morphine was not needed now, that

there were serious legal questions raised by the prospective purchase, and that the public might misconstrue stockpile purchases of morphine as an indication that the United States was prepared to fight and prevail in a nuclear war.

Some officials said they doubted that the stockpiles would do much good in an emergency. They noted that there were virtually no good plans for distributing the morphine, and some said they doubted that effective plans could be drafted.

A spokesman for the Emergency Management Agency said the purchase had been postponed until a medical panel reviewed the pharmaceutical products on the stockpile list to determine which drugs should stay on and how much should be stored.

The agency official said the planned purchase had also raised legal questions about the importing of controlled substances. "Given the legal issues, and our medical review," the official explained, "we simply decided that it would be advised to defer the purchase."

Since 1943, the United States has maintained a stockpile of strategic and critical materials — drugs, metals, and other potentially scarce substances. The law requires storing enough strategic materials for no less than three years of use.

U.K. Said to Begin Stockpiling
The British government has secretly started buying key metals and minerals to create a strategic stockpile. The Financial Times newspaper reported Monday, Reuters said.

The daily, quoting trade sources in London, said several South African companies had been approached with orders for chrome, manganese and other materials vital to industry or used in the manufacture of arms. It said the initial orders were thought to be worth between \$5 million and \$10 million (\$7.7 million and \$15.4 million).

A Department of Industry spokesman said he could not confirm or deny the report, but he added, "The government has been considering a strategic stockpile for some considerable time."

Giving Away Surplus Is Costing U.S. Millions

By Seth S. King
New York Times Service

WASHINGTON — The Agriculture Department, in its latest efforts to reduce huge grain and dairy surpluses, has found it is neither cheap nor easy to give them away.

A year ago the department's Food and Nutrition Service began offering surplus cheese, butter and dried milk to the poor. It has cost more than \$344 million to get, package and distribute 224 million pounds (100 million kilograms) of the foods.

None of this was part of the department's regular food distribution through state welfare programs.

Nor was it included in the \$480 million the department spent in 1982 to acquire and send abroad various grains, flour and vegetable oil for distribution by U.S. charitable organizations under Public Law 480. The department expects donations under this law to cost at least \$650 million this year and another \$650 million in 1984.

U.S. dairy farmers have again increased milk production by about 2 percent. Their cows are yielding about 10 percent more milk and milk products than can be sold in stores.

Even before discussions last week between President Ronald Reagan and congressional leaders on a \$4-billion to \$7-billion recession relief program, the Agriculture Department hoped to give away 400 million additional pounds of dairy surplus by December. The department expects to acquire more than 14 billion pounds of cheese, butter and dried milk in 1983, so even if it gives away all it plans, only a small dent in the surplus will be made.

One complication in giving away surplus dairy products is the way they are stored. Cheese is packed in 500-pound barrels, butter is boxed in large frozen blocks and dried milk is in 100-pound bags.

The Food and Nutrition Service has to pay to have these containers shipped to a processor and then pay the processor to repack the cheese in five-pound containers, the butter in one-pound boxes and the dried milk, which must be processed further before it can be mixed with water, in four-pound boxes.

Each state must ask that the products be shipped to designated distribution points. The Agriculture Department pays for the transportation. The state, or a local government, decides who can receive the cheese, butter or milk. These governments also have to organize the final distribution to the poor.

Each of the 48 contiguous states has received some surplus cheese, according to Robert Leard, administrator of the Food and Nutrition Service. A few states have received butter, and some localities have been given dried milk on a trial basis.

"We've got the delivery system in high gear now," Mr. Leard said. "We have requests from the states for millions of additional pounds, and we are certain these will be distributed without delay in the coming months."

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Brandt Report Bis

In the 1920s, the European economies, desperately weakened by World War I, swung erratically through a series of currency crises. The German mark collapsed in hyperinflation, the French franc fell to a fifth of its prewar value, and the British struggle to maintain the pound pushed the country into severe unemployment that lasted nearly two decades.

As world prices fell, the United States tried to build a dike against cheap imports with the Smoot-Hawley tariff of 1930. Countries began to devalue their currencies deliberately to make their exports more competitive. Both Britain and the United States tried it. But countries that bar imports have trouble selling exports. By 1933, American exports were down to one-third the 1929 level, and unemployment was up to 25 percent. The German rate was over 30 percent until a new government took power just 30 years ago began to pull it down by rapid rearmament.

There was a conference in London in the summer of 1933 to try to stabilize the world's sinking economies, but the United States, fearful of being drawn into what it considered a European quarrel, refused to cooperate. President Franklin Delano Roosevelt told the London conference that international currency reform might better await "concentrated policies in the majority of nations to produce balanced budgets and living within their means."

As Europe staggered out of the wreckage of World War II, everyone knew that the failures of economic cooperation and leadership had contributed powerfully to the catastrophe. Among Americans, all but the most committed isolationists acknowledged that the United States could, and should, have done much in

economic policy to avert the war. Throughout the Western world there was a passionate resolve not to let it happen again.

Recently we have been seeing frequent references to the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade. They are basic institutions of the postwar economic structure, built at the end of the war to knit nations indissolubly together with flows of trade and exchange that none could afford to break. The idea was to create a stable prosperity that would be the foundation for liberal democracy. It worked.

In the United States since 1950 real incomes per person have doubled. Americans are, on average, twice as well off as their parents a generation ago. In Western Europe incomes have tripled from the prewar level. Yet there are a lot of American congressmen who say they don't see much value to the IMF and foreign trade and that sort of thing.

Last week a commission led by Willy Brandt warned that the world was sliding toward economic anarchy and perhaps worse. It called urgently for more vigorous cooperative action to stabilize currencies, production and jobs. Mr. Brandt, 69 years old, living in Lübeck, when inflation destroyed the German mark. He was 19 when Hitler came to power. 20 when the London conference failed and 26 when the war started. He later became the chancellor of a West German government in a triumph of those postwar policies now in danger of falling into confusion. His commission's appeal to Europeans, Japanese and Americans could be reduced to a single question: Have you forgotten so soon?

—THE WASHINGTON POST.

A Pro-IRA Parade?

In the Provisional Irish Republican Army, "to kneecap" means to cripple a person for life by pumping bullets into both knees. It is a favored punishment for betrayal by fellow Irish Catholics. The bullets may well be obtained with money collected in America for professedly humanitarian purposes by groups like the Irish Northern Aid Committee.

It is hard to believe anyone intended to celebrate kneecapping when Michael Flannery, the president of the committee, was named as this year's grand marshal of New York's Saint Patrick's Day Parade. Few members of the Ancient Order of Hibernians, which bestowed the honor, have ever witnessed a kneecapping, or any of the 1,200 murders committed by the IRA. The Order seems to have wanted to celebrate only Mr. Flannery's acquittal in New York last November on charges of smuggling arms to the Provos. But the 81-year-old Mr. Flannery has been quick to turn a gesture of

solidarity into a blessing for violence: "It's definitely going to be a pro-IRA parade."

Really? The wearing of the green on March 17 represent an endorsement of terrorism? To most Americans, Hibernian and oth-erwise, the venomous doctrines of violence will surely spoil a wonderful annual party.

Ireland's government, stunned and dismayed, says it will boycott the parade. So will the Irish Tourist Board and Aer Lingus. Cardinal Cooke has not decided what to do. Neither has Senator Moynihan. Mayor Koch and some other politicians are trying to straddle the green line: they are against violence but all for marching. It will take more than Michael Flannery to kill the spirit of the day. But the boycotts and arguments already in train may cripple the parade. The Hibernians ought to think again and make very clear whom and what they mean to honor.

—THE NEW YORK TIMES.

Other Opinion

Saluting Brandt Report II

It is three years since Willy Brandt's independent commission produced its first report. The economic crisis is graver. The slow growth of world trade became last year's absolute decline. The mountain of Third World debt is greater. The banking system is weaker. The deflationary policies of the developed world, as country after country scrambles for larger shares of dwindling markets, offer no clear promise of significant recovery than they did in 1980. Brandt II, with notable perspicacity, foresaw the consequences of the course on which the First World's governments had embarked, and warned against them.

Yet, through the Cancun summit, three meetings of the Big Seven's leaders and countless gatherings of their finance ministers, the message has largely been ignored. The arrival of George Shultz at the State Department, West German fear of unemployment, the election of the French Socialists, even the speedy welcome to Brandt II from our own Foreign Office, in such contrast with its reaction three years ago, all point to openings in the Friedmanite phalanx. But the dangers remain of doing too little far too late. The need for "Common Crisis" was clear. It is welcome.

—The Guardian (London).

No more important document lies on the desks of the world's leaders than the second Brandt report, published last week. It gives an urgent and credible warning of impending "world economic collapse" causing the disintegration of societies and "anarchy in many parts of the world," with incalculable consequences for world security. And it lays down specific, practicable proposals which could avert the tragedy. Few who survey the world with even half-open eyes can disagree with the broad outlines of its diagnosis.

The recession, now in its fourth consecutive year, is undermining the very foundations of the world economic system. The results are, naturally, starkest in developing countries. Many were in peril even before the recession. But the deliberate deflation of Western econo-

mies turned decline into disaster. The contraction in trade adds to the fast-mounting pressures for protectionist measures that could bring back the economic anarchy of the 1930s — all this with consequences for peace.

All this was predicted in the first Brandt report three years ago, and instantly dismissed as scaremongering by some governments, including our own. To their credit, the commission does not crow about this, but get on with the business of working out what is to be done. Their second report, shorter and much more readable than its predecessor, is also more urgent and better focused.

Their proposals, practical rather than visionary, immediate rather than long-term, are much more likely to appeal to the hardheaded — if shortsighted — attitude inculcated by the daily round of politics. And the politicians seem rather more ready to receive them.

There are signs that senior U.S. figures understand the seriousness of the crisis. Many Third World countries appear ready to abandon their wilder rhetoric for practical negotiation. The time has come for Britain, West Germany, Japan and the United States to lead the world back to healthy growth.

The dangers of depression now far outweigh any danger of renewed inflation. As Willy Brandt says in the report's introduction, "Time is short and every day may count."

—The Observer (London).

A Korean Shopping List

As bilateral [U.S.-South Korean] issues we may cite Korea's export of defense industry products to third countries, increase in U.S. foreign military sales credits and boosted trade and economic cooperation. We are looking to the American side to increase the FMS credits and cooperate in helping Korea export its ammunition goods in the case of bolstering Korea's efforts to modernize its military equipment. We are also expecting Washington to lower the interest rate of the FMS credits to the level endowed to Israel by giving Korea the most favored nation's treatment.

—Joong-ang Ilbo (Seoul).

The Challenge at Geneva

By Helmut Schmidt

No one has been closer to the Euro-missile issue from the start than Helmut Schmidt, who as West German chancellor brought NATO to its 1979 decision either to negotiate away the new Soviet missiles threatening Europe or to start deploying new American missiles at the end of 1983. Following are excerpts from replies by Mr. Schmidt to questions from The Washington Post.

THE Soviet Union had begun to build up an independent "Eurostrategic" threat and above all a political means of pressure, which unfortunately, through the arms-control negotiations of President Carter, was not included in SALT-2, as corresponding to Germany's interests, had been Washington's intention during the Ford and Kissinger era.

Inclusion of these systems — the SS-20 and the Backfire — in the SALT-2 agreement would have been necessary from an overall strategic viewpoint because it could be anticipated that the Soviet Union would see no reason to limit its intermediate-range armament as long as the United States confined itself to the intercontinental strategic weapons in the SALT-2 talks. This assessment of the situation, which I have maintained since the end of 1974, has been confirmed by subsequent developments.

Naturally, among independent states there will always be differences of opinion. But until now fruitful consultations have always, again and again, strengthened the vitality of our alliance of free states. Where Soviet Eurostrategic armament is concerned, however, there have been since the end of the Ford-Kissinger era several U-turns in American policy all the way to public perception of fighting a limited nuclear war. The discontinuity of American policy has caused considerable irritation in Europe.

But with the twin-track decision in 1979 we took together an important step toward increas-

ing the security of Europe, and at the same time we started out on a new course in arms-control diplomacy. For the first time, negotiations are taking place about weapons systems that have not yet even been deployed.

Above all we have brought the Soviet Union to the negotiating table. A weak alliance would not have been able to achieve this.

The bilateral zero option is not a component of but rather developed from the logic of the twin-track decision. It is the conceivable and desirable positive extreme, opposed to stationing of all 572 systems, which is the negative extreme. But one usually negotiates with a partner who has other views about what for him is an optimal result. If one only wanted to get the signature of the negotiating partner under one's own offer there would be no need to negotiate.

This is also why the important last paragraph of the twin-track decision says that only in the light of concrete negotiation results will it be determined how many of the maximal 572 systems are to be stationed. In this respect, the negotiation result [last summer] of the Nitz-Kravitsky talks was on a correct course.

The crucial point is: Neither negotiating partner will be able to maintain his starting position if they really want to come to an agreement. What is important is that the United States and the U.S.S.R. reach a compromise that leads to a considerable reduction of the Soviet nuclear intermediate-range potential that safeguards our



security interests. Such a result can be achieved.

The number of possible solutions is limited. I trust that the United States will do all that it can in order to achieve a good result. We will examine this negotiating result in the alliance before the agreement is signed. We will see then whether European interests have been taken sufficiently into consideration. I suspect that we will have to make compromises here as well.

I hope those who bear responsibility in Moscow and Washington, having wasted too much time already, will finally discern the whole instead of the parts, so that they can break through prefabricated ideologies and act according to the realization that although the Geneva negotiations are only one of several important fields, success here could become the cornerstone of the framework for safeguarding peace.

The Washington Post.

America's Corporate Tax Game

By R.J. Samuelson

WASHINGTON — When President Reagan recently suggested ending the corporate income tax, you could almost hear the groans: "Another kooky idea." Mr. Reagan seemed to agree, saying he should kick himself for mentioning it.

It is, in fact, not a bad idea — but one without a future. The corporate tax is popular because corporations are unpopular. The myth persists that corporations exist apart: a tax on them isn't a tax on us. But the corporate tax almost certainly has undermined America's economic performance.

Yet the tax's biggest vested interest is corporate America. Removing the tax would shake the nation's board rooms in ways most executives prefer not to contemplate.

A common gripe against eliminating the tax is that it would be a giveaway to the rich. Not necessarily so. Exempting corporations from income taxes does not mean exempting corporate income from taxes. Income ought to be attributed directly to shareholders. If John and Mary Moneybags own 10,000 shares of IBM, they would report \$73,900 (profits of \$7.39 per share in 1982) and be taxed accordingly.

What revenue loss could be offset by modest increases in personal income taxes. The case against the corporate tax is not an argument for reducing the overall tax burden but for changing the tax system to promote economic growth.

The traditional economic criticism of the corporate tax is that it involves a double taxation of investment income — once at the corporate level, once at the individual level — that discourages investment. Herein originates one of the tax's greatest costs: to compensate for double taxation, the tax has become riddled with special relief provisions.

Even if these crudely offset double taxation, and that is not clear, the result is a Swiss cheese tax that provides a progressively smaller proportion of federal revenues (down from 26 percent of the total in 1950 to about 8 percent now) and encourages expensive tax gamesmanship. It is a bonanza for tax lawyers and accountants, but it is expensive for firms. And investments get disproportionately channeled to areas with the most favorable tax treatment.

The tax's more subtle effects may be even more damaging. Over the years it has induced firms to take on more debt — because interest payments are tax-deductible — while encouraging firms to retain profits rather than pay dividends. If profits are paid out, shareholders pay taxes on the dividends at tax rates as high as 50 percent. By retaining profits, the firm can (theoretically) increase its value. Shareholders then can sell appreciated stock and be taxed on the profits at the capital gains rate — a maximum of 20 percent.

So firms have become bigger, more debt-laden and more diversified. The bias for big, diversified corporations managers to change their position for expansion, even if it takes them into businesses they don't understand.

Richard Kohn of the University of California in Los Angeles reports that, as late as 1945, about 70 percent of Fortune 500 companies were either in a single or "dominant" business, where one activity accounted for at least 70 percent of sales. By 1974 that had shrunk to about one-third. Heavily diversified firms had grown from 4 to 20 percent while moderately diversified companies had increased from 26 to 42 percent.

Business debt has grown enormously. It was \$1.5 trillion in 1980, up from \$134 billion in 1955. Borrowed funds now account for nearly half of business financing, up from about one-fourth before World War II, when the corporate tax was lower.

The deductibility of interest may help explain why the Federal Reserve Board's anti-inflation policies resulted in such high interest rates. To understand the tax's side effects is to appreciate why corporate America might be the fiercest opponent of its elimination. Attributing profits directly to individuals would enormously intensify pressures on managers to pay out dividends. Only firms that achieved above-average productivity could easily rationalize exceptional profits retention. In short, executives would face more outside scrutiny.

What emerges is an alliance for an institution with significant social costs: liberals who hate business, lawyers and accountants who feed off a complex tax code, corporate managers who value their autonomy. Little wonder the president is kicking himself. You don't score political points by ending the corporate tax.

National Journal

Three Middle East Focuses

Arabs Question Reagan's Will to Sway Israel

By Clovis Maksoud

The writer is the Arab League's permanent observer at the United Nations.

NEW YORK — Arab hopes are fast dwindling that America will be able to play the role President Ronald Reagan staked out last Sept. 1 in his Middle East proposals. Watching Israel's effort to annex the occupied West Bank and Gaza and its continued military occupation of much of Lebanon, Arabs are troubled by the Reagan administration's failure to challenge or restrain Prime Minister Menachem Begin.

The Arabs still believe, however, that a practical basis for solving the Middle East conflict can be found, given fresh determination on the part of America to bring some balance to its policies — to ensure the achievement of Palestinian national rights and to make clear to Israel once and for all that its attempts to impose military hegemony and political conditions on its neighbors can only lead to further deterioration in the region.

Together, the Reagan proposals and the declaration made last September at the Arab summit conference in Fez, Morocco, could provide the underpinnings of a just and comprehensive settlement.

The Reagan plan calls for an Israeli withdrawal from the West Bank and Gaza, returning those territories to rule by the Palestinians in association with Jordan. The Fez plan also calls for Israeli withdrawal, while en-

dorsing the Palestinians' right to self-determination and the Palestine Liberation Organization's role as their representative in negotiations.

But no Arab leaders are willing to negotiate under duress, and they are extremely wary of plunging into a process that would produce only endless and unfruitful negotiations instead of a credible peace.

Arabs feel that it is unrealistic of the United States to insist that they recognize Israel and join it at the negotiating table while, at the same time, Washington says nothing about Israeli actions in Lebanon and the occupied territories that seem aimed precisely at precluding the possibility of successful negotiations.

Arabs wonder why the Reagan administration does not recognize that Israel is embarrassing and manipulating it, threatening to paralyze U.S. policy throughout the Middle East.

Arabs see U.S. pressure on Israel to move faster on withdrawal from Lebanon thwarted by spurs of illegal Jewish settlement in the West Bank that divert American attention and prolong the Israeli military presence in Lebanon. And any possible effort by the Reagan administration to dic-

tate Israeli recognition of Palestinian rights is delayed or prevented by Israeli intractability in talks on withdrawal from Lebanon.

Thus, Arabs, looked on with confused dismay when in late December Congress added several hundred million dollars to the considerable aid Israel already receives from the United States. The Arabs had expected that, at a minimum, Washington would use its economic leverage to express disapproval of Israel's conduct in Lebanon. Instead, America seems determined to help Israel defray the cost of the war.

Arab leaders cannot help wondering whether by participating in U.S. efforts to bring order to the region they are sanctioning a U.S. reward for Israeli actions in Lebanon.

Arabs fear above all that the promise offered by President Reagan's initiative will become yet another victim of Israeli designs. They were encouraged that Mr. Reagan focused attention on the Palestinian issue — the root cause of the Middle East conflict — and declared, in effect, that the West Bank and Gaza are part of the Arab patrimony, thus implicitly refuting Menachem

Begin's claim that these territories are part of Israel. They were also heartened by the president's call for a freeze on Israeli settlement — and yet they are troubled now by the prospect that the Reagan plan will be permitted to atrophy.

Neither King Hussein nor any other Arab leader can offer to join in a negotiating process unless they can rely on President Reagan's ability to deliver on his declared commitments.

With time running short both in Lebanon and in the occupied West Bank and Gaza, the Arabs are increasingly aware that they must soon reassess their position. They cannot continue indefinitely to put their faith in an American proposal that is disregarded and indeed flouted by Menachem Begin's government.

Nor do they feel they can trust the United States as long as it continues futilely to placate Israel in the hope of influencing it. Finally, the Arabs seriously question the current exclusion of the rest of the international community from the search for peace in the Middle East.

It is still in Washington's power to reassure the Arabs — by exploring possible bridges between the Fez and Reagan plans and by showing that it is willing, when necessary, to be firm with Israel. But time is running out.

The New York Times.

How Can Lebanon Overlook the Massacres?

By Fouad Ajami

WASHINGTON — Now that the Israeli commission of inquiry into the Beirut massacres has issued its report, the men and women of Israel will have to draw their conclusions about the Lebanon war, for in many ways the logic of those massacres was the logic of the entire war.

So elusive was the war's aim — a war against Palestinian nationalism — that it was harder to stop and to limit than to launch. There was always another hill around the corner — and another Palestinian.

But the Israeli probe brings us full circle to those who perpetrated the crime. Plainly, if the Israelis were accessories, the deed itself was committed by Lebanon. What is distressing is that the Israeli inquiry into the massacres has been matched by nearly total Lebanese silence.

The cynical oblivion of the Lebanese government may have all sorts of excuses. The Lebanese investigator, Assad Jermannous, pleads scarcity of funds and personnel. The excuse is transparent: a government seriously

interested in looking into the massacres could find the means required.

It could be said that the Lebanese have suffered enough, that they wish to put this whole affair behind them, that this massacre, grim as it was, was only one episode in a long ordeal. In Lebanon, moral discipline and the whole social edifice have broken down, and men have gone at it without limits and without mercy. Why bring up the Beirut massacres now? What makes them more galvanizing, more shocking than the massacres that came to pass in Damur and al-Batroun in Lebanon?

In this convenient morality, the population is divided into victors (Christians), who have no tears to shed for Palestinians, and the defeated (Moslems), who lack the weight to negotiate for themselves, let alone to secure justice for the Palestinians.

From the hell that they have seen, men, the Lebanese intend to take a leap into a new united social order.

Presumably all this would be done without a serious look into the deeds of men whose codes of warfare and politics seem to draw no moral limits.

Alas, the ways of society do not work in such a manner. The same mentality that looks into the Sabra and Chatila massacres with apathy and cynicism will only build an edifice that once again carries within it the seeds of its own undoing.

We don't have to wait to see the harvest of this kind of moral blindness. Already in the city of Sidon there is a campaign of terror and assassination being conducted against the Palestinians — the fruit of a Phalaris illusion that the country could be put right if only enough outsiders are murdered or expelled.

As the government of President Amin Gemayel makes its way through all kinds of troubles, as it walks a tightrope between Israel and Syria, as it probes the possibility of a new social contract among the many

Lebanese hatched by this war, it owes it to itself to be no less willing to look deeply into the Sabra and Chatila massacres than was Israel.

Otherwise, do we not have here just another illustration of a moral double standard that expresses horror over the deeds perpetrated by others and looks with cynical detachment at those done by one's own?

Is it possible that a new Lebanon can be put together without even a glance in the direction of what was done in those dark hours when young men, civilized young men of education and refinement, made their way into Sabra and Chatila?

Is it really that easy for men to walk away from grim deeds that they committed without so much as a question or a tinge of guilt — and still hope to find their way?

The writer is director of Middle East studies at the Johns Hopkins University School of Advanced International Studies. He contributed this comment to the Los Angeles Times.

A Case for American Aid to Rebuild Lebanon

By Joyce R. Starr

WASHINGTON — Foreign Minister Eli Salem spoke recently for many Lebanese: "At this moment in history we stand naked, hanging ourselves around the neck of America like an albatross. The United States has become central to the survival of Lebanon."

A dangerously narrow line separated Lebanon's potential re-emergence as a thriving country from its further decline. Uncertainty about the future has brought the economy, which survived eight years of war, to a virtual standstill. The cost of the fighting in West Beirut and southern Lebanon alone is estimated by the Lebanese government at \$1.9 billion.

Plans for new job-creating enterprises remain on the drawing board, and social problems — acute housing shortages, thousands of homeless, an excessively high cost of living — continue to fester. The spirit of hope that was so evident at the end of last summer has been undermined by renewed fighting and fear.

Lebanese and U.S. officials estimate that \$10 billion would be required to rebuild basic infrastructure, but no country has yet committed the kind of economic support needed. America vaguely hopes Saudi Arabia will underwrite the bill, making it unnecessary for Congress and the U.S. taxpayer to concern themselves. But Saudi Arabia's commitments in the Gulf region and the continuing

problem of declining oil prices may well prevent Riyadh from giving substantial support. Certainly not a penny will be forthcoming if there is the slightest sign of normalization between Lebanon and Israel.

Lebanese are also concerned that Arab aid would be used as a cover for the activity of the Palestine Liberation Organization, Syria and others hostile to a unified Lebanon.

Lebanon's location makes it strategically important to U.S. interests in the Arab East. The war last summer was seen by many as a victory for the free world — a triumph over pro-Soviet PLO and Syrian forces.

The Reagan administration points to Lebanon as a symbol of U.S. strength, and Lebanese stability has become a measure of U.S. credibility in the Arab world. By the same token, a weak and avaricious policy toward Lebanon would play directly into the hands of those who prefer the country to remain divided, undermining the U.S. strategic position throughout the region.

Lebanon's economy could provide a rare opportunity for American business. Bankers say on other Middle East cities compete with Beirut.

The Lebanese are hoping that the American government and private sector will play a major part in the reconstruction process.

The Reagan administration has made loans and guarantees by the Overseas Private Investment Corp. and Export-Import Bank available to American companies doing business in Lebanon. Mr. Reagan has appointed a special commission to encourage and guide the participation of American firms. The Agency for International Development is proposing a package that would provide \$150 million over the next two years. But these small steps are no substitute for a comprehensive program.

To make a significant difference, Washington would have to provide at least \$500 million annually over the next three years; \$1 billion a year would be the most that the weakened Lebanese economy could now absorb, and \$1 billion annually for three years would work as critical seed money, attracting the other \$7 billion needed for reconstruction.

This aid could take a number of forms: direct economic and military grants to the government, a capital fund for joint Lebanese-U.S. projects

and special treatment for Lebanese imports and U.S. exports. It is a small price to pay for a good ally.

The writer is Middle East representative for the Georgetown Center for Strategic Studies. This comment was contributed to The New York Times.

LETTERS TO THE EDITOR

Taxing the World

Regarding "On Brands: Bold Ideas, Old Ideas" (HT, Feb. 11):

The old idea of taxation could be boldly applied to the international community, ensuring a more humane distribution of world resources by observing the same principle of equity which, at its best, eliminates gross discrepancies between rich and poor citizens in a nation state, not through arbitrary charitable hand-outs but by regular entitlement specified in legal codes.

The weakness of the American Constitution is that it makes no proper provision for economic equality and fraternity, although it guarantees the pauper and the rich the right to share the wealth of the millionaire — an injustice reflected in most systems of international aid

Mr. Brandt has re-stated man's common humanity in the perspective of a planet dying of moral refrigeration.

WALTER ROBERTS,

London.

Polish Ups and Downs

Regarding "Central Europe Cannot Be Swept Into Archives" (HT, Feb. 8): Poland was not only an independent political entity throughout the 17th century but was one of the largest nation-states in Europe. For most of the 18th century, although progressively weaker, Poland remained independent until partition by its imperialist neighbors from 1773 to 1918. Twenty years of independence was again brutally crushed by the Nazi-Soviet alliance in 1939. Poland remains a Russian colony to this day.

JANUSZ BUGAJSKI,

London.

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The Politician-King, Hassan, Looks West

Despite Coup Attempts, Economy, Morocco's Throne Appears Solid

By David Lamb

Los Angeles Times Service

FEZ, Morocco — The order was classified top secret and it came in the middle of the night: Pack up the palace, the king wants to change residences. As if by magic, a staff of thousands appeared. Flashed trucks rumbled into the courtyard. Darkened rooms suddenly blazed with lights.

Decapitated had begun. Dishes and cutlery, typewriters and files, the contents of an entire palace covering several city blocks — were packed and loaded and, in hardly more than a day, the royal cavalcade of 240 cars and trucks, plus 50 motorcycles, was heading south for Marrakech, the mountainous winter palace 275 miles (440 kilometers) away.

King Hassan II, the 17th in a line of Alawite Muslims who have ruled here since 1649, has lived like this for a decade, moving between his palaces, traveling by car instead of plane for security reasons, letting his sinus problems and the weather dictate where he and his staff of 5,000 will live from one month to the next.

A man of charm and arrogance, Hassan ascended to the throne in 1961 upon the death of his father and has become one of the West's closest allies in the Arab world.

Hassan has been "useful" to the West on a number of occasions. He handled, through "secret" contacts, the arrangements that made it possible for President Anwar Sadat of Egypt to visit Jerusalem in 1977. He has provided peacekeeping troops during crises in other African countries, and he has emerged as a key figure in the Middle East's search for a peace formula.

Because he is not under the pressure of a large Palestinian population at home, Hassan has been able to take something of a detached view of the Palestinian-Israeli issue. He is also in an unusual position to be a conciliator, because Morocco has the largest Jewish population in the Arab-Middle East — about 20,000 — and because one of the largest voting blocs in Israel consists of Moroccan Jews.

Hassan narrowly escaped assassination in attempted coups d'état in 1971 and 1972, and, for several years, pundits have been speculating on how much longer he could hold on to his throne. A secret CIA report in 1979, drafted after the shah was forced to leave Iran, gave him six months to a year.

Indeed, Morocco's problems would have brought down a lesser

man long ago. Like most non-oil producers in the Third World, Morocco has been hit by an increasing deficit, terrible poverty, high unemployment, a huge gap between rich and poor, and an out-of-control birth rate and rampant corruption.

Additionally, Morocco's fragile economy is based on farming and phosphate mining, and the country is caught up in a long drought and an eight-year war in the Western Sahara against Algerian-backed guerrillas.

Hassan could have trouble from two sources: the 170,000-man military, which tried to bring him down in the attempted coup of 1971 and 1972, and the nation's restive young people, who rioted in Casablanca in 1981 to protest reduced food subsidies. Significantly, the rioting was directed against such symbols of wealth as banks, used car dealerships and large department stores.

But Western diplomats in Rabat do not now detect any rumblings from either group. They say that for now at least the foundations of Hassan's throne appear firm.

In dealing with his kingdom's 21 million people, Hassan holds a trump card that other Arab leaders would like to have. He claims direct descent from Mohammed the Prophet and as such he is Morocco's religious leader, a saint in the eyes of the peasants. Hassan, 53, goes to great lengths to make sure his countrymen do not forget this.

He consults the ulama — religious leaders — often and visibly, and gives them a large degree of authority in religious matters. He conducts himself in public as a devout Muslim.

Although anyone who attacked the monarchy as an institution would be in deep trouble, Hassan gives Moroccan a larger degree of freedom than most Arabs enjoy. The 264-seat parliament holds lively discussions and includes 16 representatives of the opposition Socialist Party and one of the Communist Party. The press is given to publishing a considerable amount of critical comment.

Most diplomatic analysts regard Hassan as an accomplished politician.

"Hassan has a remarkable grasp of international affairs, and he can deal with sensitive issues without relying on the rhetoric most Arab leaders use," a non-African Western diplomat said.

"His heart is in the East but his mind is in the West. You can talk to this man in the same way you would talk to a European head of state."



Spyros Kyprianou waved to supporters in Nicosia Monday after he was declared winner of the Cyprus presidential election. The Communist Party, led by Ezekias Papaioannou, far right, supported Mr. Kyprianou's platform of continued talks aimed at reunification.

Kyprianou Re-elected in Cyprus With Backing From Communists

Compiled by Our Staff From Dispatches

NICOSIA — Spyros Kyprianou has been elected to a second five-year term as president of Cyprus, giving him a mandate from Greek Cypriots to continue peace talks aimed at reunification with the Turkish Cypriot sector of the divided island.

Provisional returns announced Monday by the state-run Cyprus Radio gave him 173,791 votes, or 56.5 percent, out of 307,392 votes cast Sunday in the first contested presidential election on Cyprus in 22 years. Turkish Cypriots living in the Turkish-occupied part of the island did not vote.

Mr. Kyprianou's two opponents favored ending the eight-year-old UN-sponsored reunification talks, which they said were fruitless and solidified the division of the island.

The strongest challenger was Glafkos Clerides, leader of the pro-Western, rightist Democratic Rally Party, who received 33.9 percent. The Socialist Party leader, Vassos Lyssarides, received 9.5 percent.

In a broadcast after his victory, Mr. Kyprianou pledged to continue his efforts to end the Turkish occupation, to reunify the island and to arrange the return to their homes of 200,000 Greek Cypriots expelled from the Turkish-occupied region.

Mr. Kyprianou, the leader of the centrist Democratic Party, had campaigned in alliance with the Communist Party, known as Akel. Their joint platform said the peace talks should continue.

"I have no intention of bringing communism to Cyprus," he said in his victory statement. "There will be no social transformation of domestic policy."

One of the president's aides said on the eve of the election, "The Communists have not asked for any positions in government and we are not ready to give them any."

Mr. Clerides had repeatedly warned against the "Communist danger" and insisted that Cyprus should look to the West for help to resolve its problems.

Mr. Clerides and Mr. Lyssarides supported a proposal by Mr. Papandreu to increase international pressure on Turkey to withdraw its 25,000 troops from Cyprus.

Cyprus has been divided since a Greek-led coup that briefly deposed Archbishop Makarios as president in 1974 triggered a Turkish invasion to protect the Turkish minority, about a fifth of the population.

Mr. Kyprianou, 50, became president in 1977 without opposition after the death of Archbishop Makarios, who was the island's first president after independence from Great Britain in 1960. Archbishop Makarios ruled for 17 years as the uncontested Greek Cypriot leader.

Turkish Cypriots, who live in the northern part of the island, did not take part in the election, which they consider unconstitutional. Under the 1960 charter there is supposed to be a Turkish Cypriot vice president, elected by the Turkish Cypriot minority.

Fraser Less Certain of Winning Gamble on Early Australia Vote

By Phil Bradshaw

Readers

SYDNEY — The surprise election called by Prime Minister Malcolm Fraser of Australia for March 5 has turned out to be a gamble that he is no longer certain of winning.

Mr. Fraser was confident when he announced the poll that the Labor Party's long-running leadership squabble would weaken its chances and divert attention from the government's own economic problems. But the Labor Party had already made its decision and, on the same day, Feb. 3, announced that it had settled the leadership question.

So instead of facing a divided party led by the respected but uninspiring Bill Hayden, Mr. Fraser is facing a united opposition led by the popular and powerful former trade union boss, Bob Hawke.

Mr. Fraser's term of office, his third since wresting power from Labor in a 1975 constitutional crisis, could have run until November. But with the economy slipping deeper into recession and showing no signs of recovery, Mr. Fraser decided he had a better chance of winning now than he would later in the year.

Political analysts said that with Mr. Hayden as his opponent the prime minister would probably have won another three-year term at the cost of a substantial reduction in the government's 21-seat majority in the House of Representatives.

But against the charismatic Mr. Hawke, shown consistently by opinion polls to be Australia's most popular politician, it will be a very close contest, they believe.

Both men dominate their parties to such an extent that the election is now being seen almost wholly in terms of an American-style, Fraser-versus-Hawke presidential contest.

Mr. Hawke has dominated the early running while Mr. Fraser, a witty and practiced campaigner, has been content to sit back and watch. But the prime minister and his party machine have proved repeatedly in the past that they know how to pace themselves on the campaign trail.

This skill was apparent in 1980 when opinion polls showed Labor holding a commanding lead right up to polling day. As a result, Labor eased off in the final week while Mr. Fraser stepped up the pace and within a few hours of the polls closing he was on the way to his party's victory celebrations.

The triumph made him Australia's second-longest serving leader after Sir Robert Menzies, who had a total of 19 years. A fourth victory would consolidate his place as one of the major figures in Australia's political history.

That place has long been assured by his part in the downfall of the Gough Whitlam Labor government, which was dissolved in 1975 by the governor-general at the time, Sir John Kerr, amid alleged financial improprieties involving efforts to raise billions of dollars in loan funds.

The ruthless drive exhibited then has become Mr. Fraser's hallmark.

NEWS ANALYSIS

He rules the coalition and Parliament in an abrasive, authoritarian manner that alienates many people but has won him considerable admiration in a country renowned for its strong-willed individuality.

The contrast between Mr. Fraser and Bob Hawke are strong. Mr. Hawke is a newcomer to Parliament and was elected just over two years ago in pursuit of his freely stated ambition to be the next Labor prime minister.

His party's campaign slogan, "Bob Hawke — Bringing Australia Together," provides Labor with a useful counter to Mr. Fraser's challenge to the trade unions to end their opposition to his tough economic policies.

These include a pay freeze introduced late last year in an attempt to reverse the upward trend in inflation, which topped 11 percent in 1982, and unemployment, which is now just over 10 percent.

The unions protested against the lack of price controls in the pay freeze legislation and persisted with substantial pay demands, leading to Mr. Fraser's "Who rules the country?" election move.

Mr. Hawke's response has been to promise a prices and incomes policy, which he forecasts will be accepted by the unions at a meeting later this month. If Labor is elected, he has also promised to

call a major meeting on Australia's economic problems to which all sides of industry, business and politics would be invited.

The pact with the unions is part of Labor's economic policy that was released last Thursday. The document talks generally of a national recovery plan.

It outlines Labor's intentions to spend 2.75 billion Australian dollars (\$2.67 billion) to boost economic growth to 5 percent a year within three years by cutting taxes, creating an extra 500,000 jobs and stepping up public sector development.

Almost 700,000 people are out of work in Australia, and the economy is expected either to stand still or contract by up to 2 percent in the 1982-83 financial year ending June 30.

Aeroflot Official Seized in Rome

The Associated Press

ROME — An official of the Soviet state airline Aeroflot was arrested Monday on suspicion of espionage, the police reported.

The carabinieri said that Victor Pronine, 46, assistant commercial director of the Soviet airline, was picked up in an operation that also resulted in the arrest of the Italian owner of a microfilm company based in Genoa.

Mr. Pronine, who reportedly took up his post in Rome six months ago, was being detained but was not formally charged. No details of the alleged espionage were given but the carabinieri, Italy's paramilitary police, said "outrageous material and documents of important strategic-military interest were seized in the operation."



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Shippers Analyzing Iraqi Raid on Kharg

United Press International

LONDON — Shipping industry executives said Monday they were investigating Iraq's claim that an unidentified tanker was hit while loading crude oil at Iran's Kharg Island terminal during a weekend attack on the facility.

"If the report is true it will bolster Iran's claim of impregnable defenses at Kharg," a Western oil executive said. The facility once had the largest capacity of any terminal in the world, and oil exports through the facility have provided the money to pay for Iran's war effort.

In a Tehran radio interview broadcast Monday, Iran's oil minister, Mohammed Gharazi, denied Iraq's claim and said Kharg Island facilities were "better" than they were before the Gulf war" started in September 1980.

Independent diplomatic sources said operations at Kharg Island depended on its ability to load oil onto tankers by gravity as well as pumping.

"This is why repairs so far have been quick, uncomplicated, and facilitated Iran's continued export flow," a Western oil analyst said.

Iraq's official press agency said Sunday that the Iraqi Navy and Air Force attacked the island Saturday and "hit the western loading pier of the terminal, its installations and its oil loading networks."

An oil tanker at anchor at the same pier was hit, it said, and "columns of heavy smoke and fire" were seen.

A Western oil analyst familiar with Kharg Island said the apparent inability of Iraqi pilots to identify the vessel could mean that the jets could not swoop down "low enough to cause meaningful damage."

Oil executives usually are reluctant to accept war claims of combatants. However, an Iraqi claim last year of damaging three ships in the Gulf was proven correct, as were previous Iranian claims that its export operations at Kharg were unaffected.

The Lloyd's Shipping List said Monday that independent confirmation of Iraq's latest claim was not available.

In the radio interview, Mr. Gharazi said Iran was producing between 2 and 2.5 million barrels a day of crude and selling it at \$34.20 a barrel, 20 cents higher than the benchmark price set by the Organization of Petroleum Ex-

porting Countries. He said \$2 per barrel was being spent on the war effort.

Mr. Gharazi said Iran could produce up to 3.2 million barrels a day. A Western oil analyst in London said this might refer to the state of the Iranian oil fields but "not necessarily" Kharg's capacity.

During the shah's reign, Kharg's capacity peaked at nine million barrels a day, or almost double the daily production at the time.

U.S. Defector Writes From North Korea

By Paul Hendrickson

Washington Post Service

WASHINGTON — The parents of a 21-year-old U.S. Army private who apparently defected to North Korea have received the first communication from their son since his mysterious disappearance Aug. 28 across the demilitarized zone separating the two Koreas.

Norval White, father of Pfc. Joseph T. White, called The Washington Post on Saturday to describe the contents of a letter, dated Oct. 27 but not received at Mr. White's home in St. Louis, Missouri, until Friday.

"The letter contained only assurances that he is well and an expression of love and concern for his family and friends," said Mr. White, who works at a General Motors truck assembly plant in St. Louis.

"He makes no comment or explanation of what happened on the DMZ. He says that he helped harvest some crops and that he teaches two university students, English, and he wished he had a dictionary and an almanac."

The elder White said that even though the letter "is three or four months old, we're just grateful to God to have it."

"Until this, we didn't even know

for sure Joey was alive," he said. "Maybe this will open something about Joey, and maybe it will even open more between the two countries. That would be nice."

The handwritten letter was dated-limited Pyongyang, capital of North Korea.

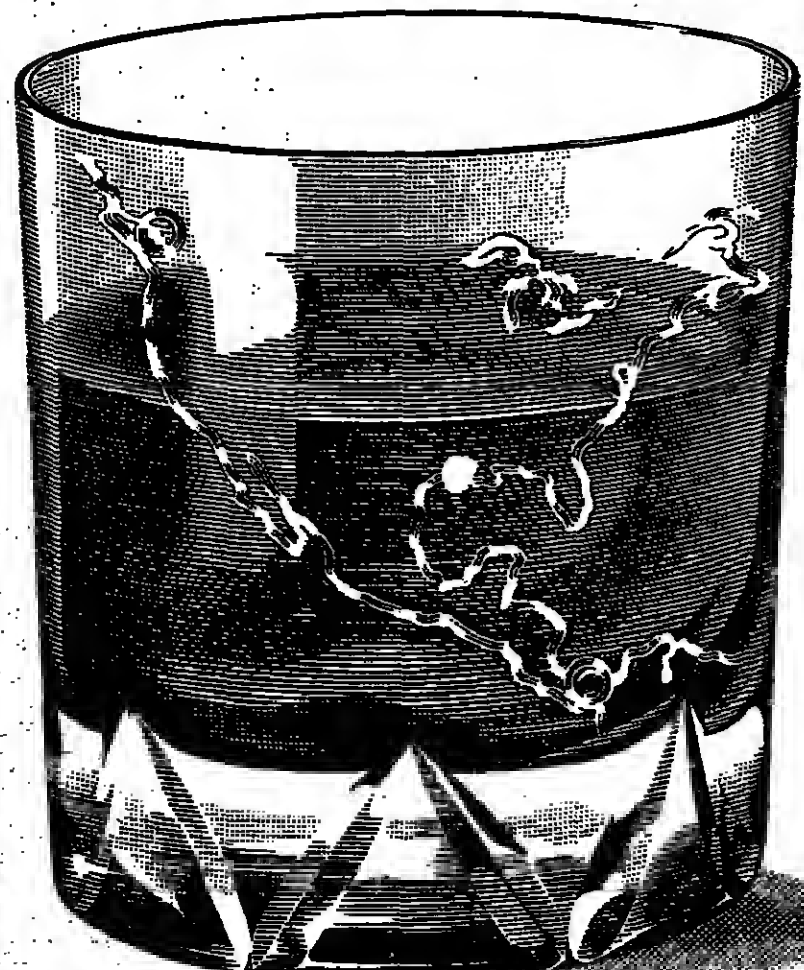
Mr. White quoted his son as saying that "the people he had met were very moral, hard-working and had great respect for authority, teachers and senior citizens."

While Mr. White declined to read directly from the letter, he acknowledged that its tone seemed to suggest strongly that his son had no intention of coming home and that his defection was voluntary, as has long been claimed by army officials.

"Yes, it does; yes, it certainly seems that way," Mr. White said. "Christmas was very bad for us, but we feel a little better now. Maybe one day we'll know why he did it, not that it would make any difference in his current situation. You've got to go with the present situation, and that seems to be that Joe went over there on his own."

The letter came to Mr. White and his wife, Kathleen, through the U.S. Postal Service from the office of Senator John C. Danforth, Republican of Missouri, where it was

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TUESDAY, FEBRUARY 15, 1982

COMMODITIES

By H.J. MAIDENBERG

Fed Unsure of Role in Setting Margins on Financial Futures

NEW YORK — Should the Federal Reserve regulate margins in the market for futures and options on financial instruments and stock indexes? Or should this power remain with the individual exchanges?

The industry views outside control over margins as a threat to free markets. But the Fed is not sure, despite the fact that its officials have become increasingly worried about the growing influence of the financial futures on the underlying money market and are examining the new stock index futures and options under the same light.

The question arises because commodity traders normally put up only 5 percent to 10 percent of the value of the goods when entering into a futures contract. In the case of financial futures, the leverage is even greater. For example, for about \$3,000, one can control Treasury bills with a face value of \$1 million or Treasury bonds with a face value of \$100,000.

To help the Fed determine what role, if any, it should play in setting the margins, it began last October to solicit comments of those involved. The deadline for responses is Friday.

"The issue has become so charged with emotion that the board has not taken any position on the question."

Last Friday, an official of the Federal Reserve Board in Washington, who asked not to be identified, said: "Normally, I wouldn't discuss such matters until the comments were all in and studied. But the issue has become so charged with emotion that I want to stress that the board has not taken any position on the margin question, nor has Chairman Volcker, who has said he is keeping an open mind on the subject." Paul A. Volcker is chairman of the Fed.

Specifically, the comments solicited by the Fed concerned whether the current margins on futures were effective in holding down undue speculation and maintaining orderly markets. Moreover, it is concerned with "what should be the scope of federal margin requirements, which markets or instruments should be covered and what problems might be encountered in such an extension" of federal regulation.

The Fed also asked in the notice in the Federal Register on Oct. 21: "What, if any, assets in addition to cash should be used for margin, how should these margins be administered and what agency or agencies should have the authority over margins?"

Those interested in airing their views should write to William W. Miles, secretary, board of governors of the Federal Reserve, 20th Street and Constitution Avenue NW, Washington, D.C. 20551.

Study to Be Published

One who has already made the views of his clients known is Thomas A. Russo, partner in the Wall Street law firm of Cadwalader, Wickersham & Taft. In fact, Mr. Russo last week finished a treatise on margin and related commodity regulatory matters that will be published by May by Shepard's of McGraw-Hill.

"Margins have been an emotional as well as economic subject since the stock market crash of 1929," Mr. Russo noted recently. "The general view of Congress was that the crash and resultant deterioration of the economy was caused by the diversion of credit away from useful economic purposes into wild speculation in stocks; that this was effected by the extension of huge amounts of credit to the public in the form of margins of 10 percent or less."

Because the Fed is entrusted with monitoring and controlling the extension of credit, it was charged by Congress with administering margins on stock purchases in 1934, despite strenuous efforts in the Senate to give this power to the Federal Trade Commission. But commodity market margins were not covered by the new law.

The reason the Fed's power over margin was not extended to cover commodities was that futures margins are not an extension of credit in any manner, shape or form, Mr. Russo said. "Margins on futures are merely a good-faith payment; a performance bond. No goods change hands when one enters into a futures contract or, for that matter, an options contract, which is simply the right, but not the obligation, to buy or sell goods."

By comparison, when one buys stock on margin, which currently requires a cash payment of 50 percent of the value, the other 50 percent represents an extension of credit, he stressed.

Aside from protecting traders and brokers from defaults, commodity margin cash is used by exchanges clearinghouses to transfer debits and credits at the end of every business day. This system also serves as a financial curb on those who would acquire futures positions beyond their resources.

Edmund R. Schroeder, partner in the Wall Street law firm of Barrett Smith Schapiro Simon & Armstrong, also represents industry clients who prefer the status quo on margins.

"Commodity exchanges, by and large, have proven their ability to dampen abnormal volatility by adjusting margins," he said. "The Commodity Exchange, for example, has changed margins on its gold, silver and copper futures markets more than 200 times in the last few years. Furthermore, under the reauthorization of the Commodity Futures Trading Commission a few weeks ago, the regulatory agency was given the right to change margins by fiat in emergencies or extraordinary market conditions."

The New York Times

Recession Reaches Mexico's Oil State



Workers, lured by high wages, drill on a rig near Villahermosa.

By Alan Riding
New York Times Staff Writer

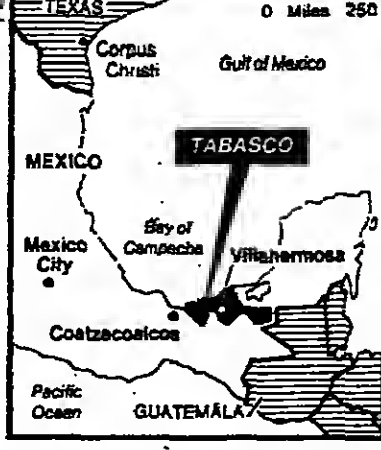
VILLAHERMOSA, Mexico — Six years ago, when Mexico's economy was last in trouble, large oil discoveries beneath the swamps surrounding this city announced the country's imminent recovery. And in the oil boom that followed, nowhere was growth wilder or faster than here.

But now Mexico's new, more severe economic crisis has reached Villahermosa, the capital of Tabasco state. Shops and restaurants that opened in prosperity now cry out for customers, half-finished buildings await completion and work on a new highway to nearby Coatzacoalcas has stopped.

Perhaps most surprising, given Mexico's continuing dependence on its oil exports, the state oil monopoly, Petróleos Mexicanos, also faces budget restraints. One-quarter of the country's daily oil production of 3 million barrels still comes from the region, but the company has been forced to lay off 10,000 construction workers in recent months as oil output here has shrunk from the record million barrels a day in 1978.

"Many contractors have left, many migrant workers have returned to their home towns, even peasants who found jobs in Petróleos Mexicanos are going back to their plots," said Eduardo Uribe, who handles community relations in Villahermosa for Pemex, as the oil company is called. "Now we're more like the rest of the country."

The slower pace has thus brought some relief to a long-sleeping farming region, which never quite adjusted to the industrial revolution that exploded in its midst.



This gives us time to balance the relationship between Petróleos Mexicanos and Tabasco," said Enrique Gonzalez Pedraza, the new governor of Tabasco. "Our aim is to balance the economic development brought on by oil with the social development that got left behind, particularly in outlying rural districts."

Oil was first struck a few miles south of Villahermosa in May 1972, but it was only in 1977 that the true dimension of the region's hydrocarbon wealth became known — 20 billion barrels of proven reserves. And it was then that the metamorphosis of Tabasco began.

In a matter of months Pemex focused its entire expansion effort on Tabasco, spending billions of dollars, importing hundreds of Mexican and foreign engineers and techni-

cians and attracting thousands more peasants and workers searching for highly paid jobs. But money — more than Tabasco had ever dreamed of — soon strained the social fabric.

The attitude and mentality of the locals were not adapted to the new rhythm and new customs of those who came here, Mr. Uribe said. "The newcomers drove big cars, they went to bars, they filled restaurants, the red light district expanded. It was a tremendous shock for Tabasco, and some of the locals soon resented Pemex."

The cattle-ranchers who had dominated the state's economy found their farmhands leaving to work for Pemex. Shopkeepers and small-business operators were unable to pay the salaries necessary to dissuade secretaries and accountants from flocking to the oil company.

With insufficient residential housing available, rents soared, pushing housing prices beyond the reach of local families. And for several years, inflation in this area was consistently 10 to 20 percentage points higher than elsewhere in Mexico.

The greatest impact, though, was felt in the rural areas where Pemex was actually drilling. Because the government owns the subsoil, Pemex could take over land that it required. But disagreements over the size of compensation provoked angry incidents.

Further, in its eagerness to find and exploit the region's oil wealth as rapidly as possible, Pemex often paid scant attention to environmental protection.

The moves by Texaco and Phillips, which analysts say are likely to be followed by other U.S. oil companies, brought to \$30 their so-called posted prices for West Texas intermediate, a commonly quoted U.S. crude. Two weeks ago, major U.S. oil companies cut the price they would pay for such crude to \$31 from \$32.

The U.S. posted prices do not directly affect overseas markets, but they give an indication of worldwide supply and demand.

Oil companies with refining operations say they need lower crude costs because weak demand has slashed prices for refined products. For example, the spot price for regular leaded gasoline on the U.S. Gulf Coast has fallen to about 78 cents a gallon from 93 cents six months ago, according to Mr. Picchi.

Mr. Metz noted that about five point in the Dow's gain Monday could be attributed to sharp gains in IBM and Eastman Kodak, two of the 30 components of the average.

IBM was the volume leader and rose 2 1/2 to 99 on turnover of 972,500 shares.

Kodak rose 3 1/4 to 88 1/4. The company reported higher fourth quarter earnings and said it expects continued sales gains in 1983.

Texaco, Phillips Cut Offer Prices for U.S. Crude

By Bob Hager
International Herald Tribune

PARIS — Texaco and Phillips Petroleum announced Monday cuts of \$1 a barrel to the price they are willing to pay for crude oil in the United States, adding to the already intense pressure for cuts in oil prices worldwide.

The moves came as the oil market continued to wait nervously for price cuts from members of the Organization of Petroleum Exporting Countries and other major producers, such as Britain. The price cuts have been expected since OPEC failed to reach a price-supporting agreement at a meeting in Geneva late last month.

"Right now, what seems to be going on is a Mexican standoff," said Bernard Picchi, an analyst for Salomon Brothers in New York.

FCC Sees Trouble in AT&T Plan

The Associated Press

WASHINGTON — The 22 Bell System companies could have a rough time raising money after they are set free by American Telephone & Telegraph in 1984, according to a report by the Federal Communications Commission staff.

As well as losing the financial assistance of AT&T, some Bell companies may face problems convincing state regulators to acknowledge their new independence, the report said.

It also pointed out some potential trouble spots deserving of extra scrutiny by regulators, the Justice Department and U.S. District Judge Harold H. Greene, who is overseeing the pending breakup.

They include the plans of Bell companies to establish their own central staff; the terms by which AT&T and the Bell companies will share certain facilities; and the absence of an automatic monitoring procedure to track the allocation of assets and liabilities among the various firms.

The report is the first regulatory review of AT&T's plan for complying with its year-old antitrust settlement with the Justice Department, requiring it to give up ownership of all 22 Bell System companies.

Dow Sets Record Closing of 1097.10

Compiled by Our Staff From Dispatches

NEW YORK — The Dow Jones industrial average closed Monday at an all-time high, just short of the elusive 1100 mark, as the stock market reflected Wall Street's optimism about the economic outlook.

The Dow average finished the day up 10.60 points at a record 1097.10. The previous closing high of 1092.35 was set Jan. 10.

The Dow index was off slightly in the first hour but then climbed steadily through the day, rising as much as 12.42 points to 1098.96 in the afternoon. However, some profit-taking hit the market in the last hour of trading when trading picked up after having been sluggish for most of the day.

Advances led declines by a five to three margin on the New York Stock Exchange and volume slumped to 72 million shares from 87.60 million Friday.

The initial weakness in the market was attributed by analysts to reaction to the substantial \$5.9-billion increase in M-1, the narrow measure of the U.S. money supply, reported late Friday.

Michael Metz of Oppenheimer & Co. said, however, that investors were encouraged when the bond market turned up despite the unfavorable money supply figures.

And analysts say there are indications interest rates may come down because of a sharp decline in inflation and growing international monetary problems. The dramatic decline in interest rates last summer ignited the rally during which the Dow average has soared from 776.92 in six months.

Wall Street was encouraged that Henry Kaufman, the influential Salomon Brothers economist, said he believes the "Federal Reserve has decided to encourage some easing in money rates soon, which would include a reduction in the discount rate."

Further support for the rally was gained from the report that business inventories fell 0.6 percent in December despite a poor sales month, indicating that the U.S. business could soon start stepping up orders to manufacturers.

CURRENCY RATES

Interbank exchange rates for Feb. 14, excluding bank service charges.

	\$	£	D.M.	F.F.	Y.	S.F.	S.P.	D.M.
Amsterdam	2.475	4.178	184.95	36.55	8.917	7.845	5.619	122.28
Bombay	2.12	72.2	11.21	8.57	19.28	21.65	21.65	5.915
Frankfurt	2.475	3.72	184.95	36.55	8.917	7.845	5.619	122.28
London (to)	1.5378	—	—	—	—	—	—	—
London (from)	1.5378	—	—	—	—	—	—	—
New York	1.5378	—	—	—	—	—	—	—
Paris	4.8355	10.52	360.48	—	4.972	20.54	14.064	240.72
Zurich	2.008	3.998	181.75	36.55	8.917	7.845	5.619	122.28
1/ECU	0.6461	0.3741	22.914	4.628	1.2824	2.537	45.043	1.918
1/SDR	1.9115	0.7022	24.49	4.83	1.2824	2.537	45.043	1.918

Source: Reuters. 1/1121 Irish L.

(a) Commercial franc. (b) Amounts needed to buy one pound (£) Units of 100 (x) Units of 1,000

INTEREST RATES

Eurocurrency Deposits Feb. 14

	Dollar	D-Mark	Swiss	French	ECU	SDR
1M. 8 1/2 - 9	5 1/2 - 5 3/4	2 1/2 - 2 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4
2M. 8 1/2 - 9	5 1/2 - 5 3/4	2 1/2 - 2 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4
3M. 8 1/2 - 9	5 1/2 - 5 3/4	2 1/2 - 2 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4
6M. 8 1/2 - 9	5 1/2 - 5 3/4	2 1/2 - 2 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4
1Y. 8 1/2 - 9	5 1/2 - 5 3/4	2 1/2 - 2 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4	1 1/2 - 1 3/4

Key Money Rates

	United States	Great Britain	France	Germany
Discount Rate	5 1/2 %	11 %	11 %	11 %
Federal Funds	9 1/2 %	11 1/2 %	11 1/2 %	11 1/2 %
Prime Rate	11 %	12 %	12 %	12 %
Broker Loan Rate	9 1/2 %	11 1/2 %	11 1/2 %	11 1/2 %
Overnight Rate	5 1/2 %	11 %	11 %	11 %
3-month Treasury Bills	8 1/2 %	11 %	11 %	11 %
6-month Treasury Bills	8 1/2 %	11 %	11 %	11 %
9-month Treasury Bills	8 1/2 %	11 %	11 %	11 %
12-month Treasury Bills	8 1/2 %	11 %	11 %	11 %

Source: Commercial Bank of Paris. 1/1121 Irish L.

GOLD PRICES

	A.M.	P.M.	C.M.
Spot Gold	378.40	378.40	378.40
1000 Grams	378.40	378.40	378.40
1000 Grams	378.40	378.40	378.40
1000 Grams	378.40	378.40	378.40

Source: Commercial Bank of Paris. 1/1121 Irish L.

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Statement of Income
For the period April 1, 1982 to September 30, 1982 in Millions of Yen
Sales and other income: 1,232,337
Cost and expenses: 1,183,270
Income before income taxes: 49,067
Income taxes: 30,565
Net income: 18,502
Net income per share of common stock: 7.49 (in yen)
Balance Sheet
As at September 30, 1982 in Millions of Yen
Assets: 2,254,905
Liabilities: 2,254,905
Total assets: 2,254,905
Total liabilities: 2,254,905
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BUSINESS BRIEFS

Bankers Set Meeting to Discuss \$200 Million Hungarian Loan

LONDON (Reuters) — Deutsche Bank will host a meeting Tuesday in Luxembourg to discuss with other lead managers a \$200-million syndicated loan being arranged for the National Bank of Hungary, banking sources said Monday.

Proposed terms include a three-year maturity and pricing, at the lender's option, at 1% percentage points over the London interbank offered rate or at 1 point over the higher of the U.S. prime rate or certificate of deposit rate, the sources said.

The other lead managers are Bank of Tokyo, Arab Banking Corp., Manufacturers Hanover and Creditanstalt-Bankverein.

Grundig Ruling Seen in March

MUNICH (Reuters) — The West German federal cartel office will probably rule in early March on the proposal by French state-owned Thomson-Brandt to take a 75.5 percent stake in Grundig for 800 million Deutsche marks (\$328 million), an office spokesman said Monday.

He emphasized that the timing of the decision has nothing to do with the March 6 West German general elections. Industry sources said that if as expected the cartel office turns down the merger, an alternative solution involves cooperation with Grundig by Siemens, Robert Bosch, Thomson-Brandt and Philips of the Netherlands.

A Grundig spokesman said he had no knowledge of the alternative solution. He said discussions with Philips over a possible exchange of shares were continuing, but there had been no result. Philips has a 24.5 percent stake in Grundig and Grundig holds about 6 percent of Philips's capital.

Caterpillar Sees Brighter Future

Peoria, Illinois (AP) — Caterpillar Tractor said Monday that 1983 sales volume could improve somewhat from 1982's depressed levels, but the overall near-term outlook remains highly uncertain, because of the 137-day strike by 21,000 workers and the weak world economy.

The improvement could stem from gradual economic recovery and a rebuilding of dealer inventories following the strike, it said in its annual report. The scope of the improvement is difficult to forecast, it said, but the company sees 1983 as a transition period to better business conditions in 1984, partly reflecting lower interest rates.

Caterpillar presented new proposals to the United Auto Workers union Thursday, but some union members expressed disappointment with the three-year contract offer. Negotiations were recessed Friday for the weekend.

Alcoa Signs Natural Gas Contract

PERTH, Australia (Reuters) — Alcoa Australia has signed a 20-year contract worth 4 billion to 5 billion Australian dollars (\$3.88 billion to \$4.85 billion) with the West Australian State Energy Commission for natural gas from the northwest shelf, the state's minister for resources development, Peter Jones, said Monday.

Alcoa is committed to half the capacity of a pipeline linking Dampier, where the gas will come ashore, to Wageningen, near Perth. Mr. Jones said Alcoa has also committed itself to meeting half the principal and interest repayments on loans raised by the commission for the pipeline.

Company Notes

Nippon Electric Co. said it has developed a new voice recognition large-scale integration chip to be used for voice-controlled word processors, personal computers and robots.

Rite Aid has completed the sale of five million shares of Super Drug Stores of Britain and as a result now owns 28.2 percent of Super Drug.

Kaiser Aluminum & Chemical said it is withdrawing its published price for primary aluminum ingot and will sell it on a transaction price basis.

Head of Poland's Trade Bank to Quit

WARSAW (Reuters) — Stanislaw Kobak, the head of Bank Handlowy, the Polish state bank that plays a key role in handling the country's foreign debt, has resigned, banking sources said Monday.

The resignation of Mr. Kobak, who took over Bank Handlowy less than eight months ago, will be effective Wednesday, the sources said.

No reason was given, but Mr. Kobak is known to have been unhappy for some time with government policies toward the foreign trade bank.

The sources also said that Jan Woloszyński, first vice president of Bank Handlowy, who has played a central role in renegotiating Polish debt in the last few years, would also probably resign. Neither bank was immediately available for comment.

Western economic analysts in Warsaw said there were increasing complaints from senior bankers of interference in their work by government and Communist Party officials.

They said they believed there was growing pressure from some quarters in Poland for the country's negotiators to take a tougher line in future talks with Western banks on renegotiating repayment of debt now totaling about \$25 billion.

The banking sources said Mr. Kobak would be replaced by Kazimierz Olaszewski, who has been working with the Vienna-based Centrobank, involved mainly in East-West trade.

Mr. Kobak was appointed president of Bank Handlowy last June at the same time as the government put into effect a law aimed at giving banks more independence from state control.

The law was a key mechanism of an economic reform program aimed at making individual enterprises more self-reliant.

The program has been held up by the resistance of many officials to changes that might threaten their position and the opposition of orthodox communists who object to many of the principles on ideological grounds.

During Mr. Kobak's term of office, Bank Handlowy and the Finance Ministry reached agreement with Western banks on terms for rescheduling 1982 debt, and preliminary soundings have been made on renegotiating bank debt falling due in 1983.

Zbigniew Madej, a deputy premier and former chairman of the state Planning Commission, said

last month that future agreements should "provide for longer rescheduling periods than before and smaller quotas to be paid in the next few years."

Foreign Minister Stefan Olszowski, departing from the earlier Polish approach, also said that repaying the total Western debt depended on political as well as economic considerations.

As part of economic sanctions imposed after the military takeover in December 1981, Western states have declined to discuss renegotiation of about \$10 billion of government debt.

Lower West German Profits Seen

By Donald Nordberg

FRANKFURT (Reuters) — The coming season of West German corporate reports will produce much bad news, but investment analysts and investors alike are already looking beyond that to a healthy recovery in 1983 profits.

Investment analysts predict corporate profits in 1982, to be announced over the next two months, will show a decline of about 10 percent, but with performance varying widely, even within the same sector.

The performance of the share prices has by and large discounted those results already and, barring a change in government, the stock market will move higher, they said.

Last Friday, the Commerzbank Index of 60 leading shares reached 779.1, the highest level since May 1979.

The increase reflects investors' convictions that profits and dividends are heading up again, with the help of lower interest rates and a gradual recovery in the economy.

In general, first forecasts of 1983 profits show an increase of anywhere from 5 percent to 20 percent on average, analysts said. Most of the dividends cut this year will be restored next year, they added, and capital increases can be expected in many industrial sectors.

Hans-Dieter Baerndorf, head of the research department of the private bank Georg Hauck und Sohn, said the auto sector is an ex-

ample of the widely varied performance of different companies.

He said: "Both Daimler-Benz and BMW have had excellent years, while for Volkswagen, it has not been so good. If VW pays a dividend at all it will be for its image."

Analysts at Westdeutsche Landesbank Girozentrale have predicted that BMW could see earnings equal to 20 Deutsche marks (\$8.28) a share in 1982, up from 17.50 DM in 1981, while Daimler would have earnings at about 55 DM a share. Others see those estimates as conservative and look for further rises in 1983.

At Bank für Gemeinwirtschaft, analysts revised their forecasts for Volkswagen profits and dividend to nil shortly after the company reported a group loss of 146 million DM for the first nine months.

Analysts at other banks still predict VW will pay an unchanged dividend of 4 DM a share, in the hope that 1983 will see a turnaround. Most analysts saw VW reporting a group profit in 1983, though problems continue, especially in its U.S. and Latin American operations and at the office equipment maker, Triumph-Adler.

In mechanical engineering, Gutehoffnungshütte Aktienverein, whose financial year ends in June, recently said profits fell sharply in the last fiscal year, and said the dividend for the current year will have to be cut. It is paying an unchanged 7 DM a share on 1981-1982 results.

Deutsche Babcock will probably show a loss for 1982, but WestLB's analysts see a recovery in 1983, bringing earnings up to the equivalent of 10 DM a share to allow a 3 DM dividend.

While West Germany's second largest electrical goods firm, AEG-Telefunken, went into receivership last year, the largest in the field, Siemens, was headed to a sharp increase in profit. In the year ended Sept. 30, Siemens had a group profit of 738 million DM after 509 million the previous year. Its own calculation of earnings per share was 31.50 DM, after 20.30.

WestLB had expected a 4 DM increase and Berliner Handels- und Bankbank Bank 5 DM. Most analysts believe Siemens will improve its results steadily in the current fiscal year.

Oslo Is Issuing DM Eurobond

FRANKFURT (Reuters) — The city of Oslo is issuing a 100 million Deutsche mark Eurobond with a coupon of 7 1/2 percent, market sources said Monday.

The bond, priced at 99 1/2 and lead managed by Deutsche Bank, has a maximum maturity of 10 years, but will be retired in stages after five years.

Over the average maturity of eight years, the bond will yield 7.84 percent. It is the final issue on the current DM calendar. The Central Capital Market Subcommittee meets Thursday to set a new program.

Oslo is issuing a 100 million Deutsche mark Eurobond with a coupon of 7 1/2 percent, market sources said Monday.

Mexico's Oil State Feels Squeeze of Recession

(Continued from Page 7)

mental, questions, and farmers complained that their animals and crops were being harmed by water and air pollution.

After indignant peasants began blocking roads to oil wells to pressure the government into action, Leandro Rovinsky Wade, then governor of Tabasco, felt forced to denounce Pemex in public, arguing that the state had become a victim rather than beneficiary of the boom.

At that point, Pemex apparently recognized a potentially explosive problem and accordingly: It offered to share the cost of building and repairing local roads, started its own homebuilding program and agreed to pay a special tax to Ta-

basco equivalent to 6 percent of local oil production. It also set up a commission to deal with the complaints by local farmers.

With the additional funds, Villahermosa, whose population has tripled to 300,000 in less than a decade, was able to carry out urgently needed urban improvements to appease long-time residents and increase the compensation paid to peasants affected by Pemex operations.

Even now, Pemex is blamed for most of the ills that befall the rural population. But company officials respond that local residents have merely discovered an easy way to make money.

"If it rains, it's Pemex's fault. And if it doesn't rain, it's Pemex's

fault," said Guillermo Diaz, who is in charge of the company's local environmental protection office.

Nevertheless, during a visit to Villahermosa in December, Pemex's new director-general, Mario Ramon Beteta, conceded that the oil boom had brought economic, environmental and social problems to the region.

"The appearance of the oil worker or technician beside the peasant often seems like an intrusion that generates turbulence and imbalances," he said. "We do not ignore that this confrontation is often painful and erodes community values that are worthy of the utmost respect."

Notwithstanding the economic slump, both Mr. Beteta and Mr.

Gonzalez see an opportunity for Pemex to play a less dominant and controversial role in Tabasco.

"My idea is to take advantage of the slowdown in Pemex's expansion to strengthen cattle-farming and agriculture, which are the natural vocations of Tabasco," Mr. Gonzalez said. "And when the oil spending resumes, we hope to be able to sustain agriculture and develop agribusiness and other industries."

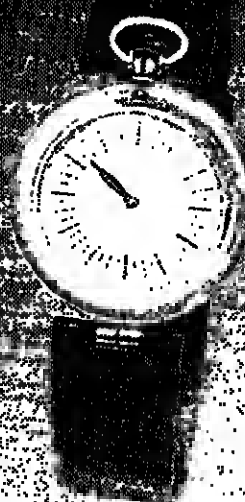
"The pace of the past oil development caused frictions that can be avoided now," he said. "The same work can be done more intelligently and rationally in the future so that the ecology and economy of the region will be less affected."

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Parker/Hunter
INCORPORATED

Rooney, Pace Inc.

Sutro & Co.
INCORPORATED

Birr, Wilson & Co., Inc.

James J. Duane & Co., Inc.
INCORPORATED

Frederick & Company, Inc.

Johnson, Lane, Space, Smith & Co., Inc.
INCORPORATED

Morgan, Olmstead, Kennedy & Gardner
INCORPORATED

Muller and Company, Inc.

Richardson Greenshields Securities Inc.

R. Rowland & Co.
INCORPORATED

Traub and Company, Inc.

Basle Securities Corporation

Ladenburg, Thalmann & Co. Inc.

Robertson, Colman & Stephens

Tucker, Anthony & R. L. Day, Inc.

Eppler, Guerin & Turner, Inc.

Interstate Securities Corporation

Legg Mason Wood Walker
INCORPORATED

Prescott, Ball & Turben, Inc.

Rotan Mosle Inc.

Wheat, First Securities, Inc.

D. H. Blair & Co., Inc.

D. A. Davidson & Co.
INCORPORATED

Evans & Co.
INCORPORATED

Hanifen, Imhoff Inc.

Newhard, Cook & Co.
INCORPORATED

Hoare Govett Limited

Singer, Friedlander Ltd.

New Issue

All of these bonds having been sold, this announcement appears as a matter of record only.

February 1983



The Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe

Fonds de Réétablissement du Conseil de l'Europe
pour les Réfugiés Nationaux et les Excédents de Population en Europe
Strasbourg/Paris

DM 160,000,000

7 7/8 % Bearer Bonds of 1983 (89-93)

Berliner Handels- und Frankfurter Bank

Allgemeine Elsassische
Bankgesellschaft

Bayerische Landesbank
Girozentrale

Bankhaus Gebrüder Bethmann

Delbrück & Co

Deutsche Girozentrale
- Deutsche Kommunalbank -

Georg Hauck & Sohn Bankiers
Kommanditgesellschaft auf Aktien

Landesbank Rheinland-Pfalz
- Girozentrale -

Norddeutsche Landesbank
Girozentrale

Vereins- und Westbank
Aktiengesellschaft

Bank für Gemeinwirtschaft
Aktiengesellschaft

Bayerische Vereinsbank
Aktiengesellschaft

Commerzbank
Aktiengesellschaft

Deutsche Bank
Aktiengesellschaft

Dresdner Bank
Aktiengesellschaft

Hessische Landesbank
- Girozentrale -

Merck, Finck & Co.

Sal. Oppenheim jr. & Cie.

M. M. Warburg-Brinckmann,
Wirtz & Co.

Westfalenbank
Aktiengesellschaft

Bayerische Hypotheken- und
Wechsel-Bank
Aktiengesellschaft

Berliner Bank
Aktiengesellschaft

Richard Daus & Co., Bankiers

DG BANK

Deutsche Genossenschaftsbank

Deutsche Siedlungs- und
Landesrentenbank

Bankhaus Hermann Lampe
Kommanditgesellschaft

B. Metzler seel. Sohn & Co.

Trinkaus & Burkhardt

Westdeutsche Landesbank
Girozentrale

Abu Dhabi Investment Company

Banca del Gottardo

Banque Internationale
à Luxembourg S.A.

Creditanstalt - Bankverein

The Industrial Bank of Japan
(Luxembourg) S.A.

Pierson, Holding & Pierson N.V.

Algemene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Daiwa Europe Limited

Kredietbank International Group

Société Générale

Arab Banking Corporation (ABC)

Banque Indosuez

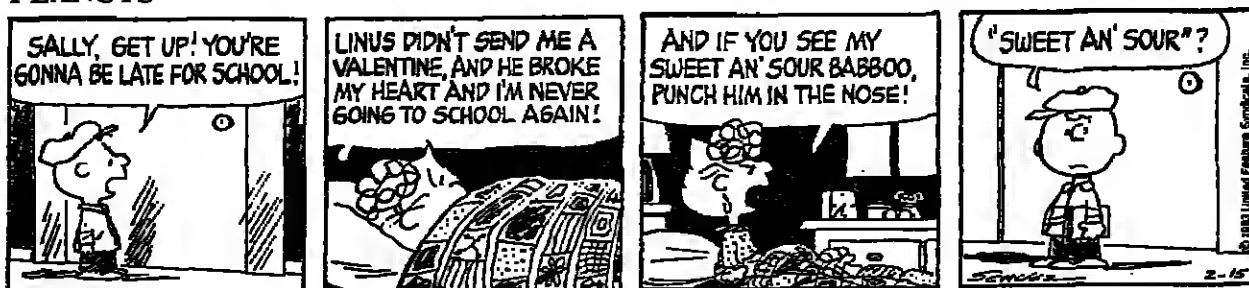
Crédit Commercial de France

Genossenschaftliche
Zentralbank AG - Vienna

Kuwait Foreign Trading
Contracting & Investment Co.
(S.A.K.)

Swiss Bank Corporation
International Limited

PEANUTS



THE RAGE OF THE VULTURE
By Barry Unsworth. 443 pp. \$15.95.
Houghton Mifflin, 2 Park St., Boston, Mass. 02108.

Reviewed by Christopher Lehmann-Haupt

IN Barry Unsworth's latest novel, "The Rage of the Culture," Captain Robert Marchant — a British military officer posted to Constantinople during the first years of the Ottoman Empire — is a complicated and not very sympathetic protagonist. He regards his 10-year-old son, Henry, mainly as a rival for his wife's affection.

He resents his wife for her failure to understand a secret thing about him, which secret, paradoxically enough, just because of that

when the Turkish massacre of the Armenians began to spread throughout the Levant. At their engagement party, the Marchants' fiancé was raped and murdered while he stood by, protesting to her tormentors, "I am an Englishman. I am an Englishman." The shame of the incident has unmanned him, which of course is why he translates the eunuch's experience for Miss Munro with such savage relish. Now, in the novel's present, he is determined somehow to make amends

resentment he refuses to reveal to her. Convinced that Henry's govern-ment can understand him, he all but tells her, and then rejects her for understanding him too well. He has a facility for surpassing in unpleasantness even the worst of the novel's other characters. In one of Unsworth's more bitter scenes, an English visitor named Miss Muir, who finds Constantine "romantic," asks Marjham to accompany her on an interview she has arranged with one of the sultan's eunuchs. She has had great

success with a series for an English magazine on Turkey during the 1908 revolution, and wants to see "whether I have meant to 'please' the people. The guardians of the machine, the pageboy. 'Ordinary people,' Markham said, but Miss Munro was too absorbed in her subject to notice the irony."

When the little Miss Munro inadvertently promised the march to describe her attraction, Markham savagely translates the horrifying description while Miss Munro tries to stop her tears. We actually end up feeling sorry for the pety-minded creature. Why then, you might ask, does one continue to pick up the book and follow his way through Unsworth's dazzling and complex portrait of Constantinople in 1908? Why does one continue reading "The Rage of the

What is more, the reader knows from history that whatever Markham may accomplish by way of revenge or self-punishment, the Armenians in Turkey have suffered far more widespread massacres.

Still, Markham will pursue his own degradation all the way to the sultan's personal torture chamber. And if he accomplishes little more than to give his English press a little more insight into the individualism that enters him, he serves along the way as the reader's witness to the splendors of exotic Constantinople. Many of Unsworth's spectacles, such as the celebration of a holy day in the interior of the Hagia Sophia, are heightened by the presence of Markham as an integral part of the plot. But, even when he is merely sightseeing, his scenery is often spectacular. "

Vulture, whose title is taken from
Canto 1 of Lord Byron's "The
Bride of Abydos":

*Know ye the land where the
cypress and myrtle
Are emblems of deeds that are
done in their clime?
Where the rage of the vulture, the
whirl of the hurricane,
Now melt into sorrow, now
madden to crime.*

Maricham's eventual defeat trans-
ports him into a state of eccentricity
somehow peculiar to the Eng-
lish. In the novel's epilogue, set
toward the end of World War I, we
find him back in England, living
once again with his mother, who
is a somewhat chilling removal. He
has taken up beekeeping, as well as
the authorship of a massive book
whose thesis it is that in keeping

Why does one go on? For one thing, because Markham's secret is a plausible reason for his complicated behavior. He had been in Constantinople 12 years earlier, about to marry an Armenian girl,

Solution to Previous Puzzle

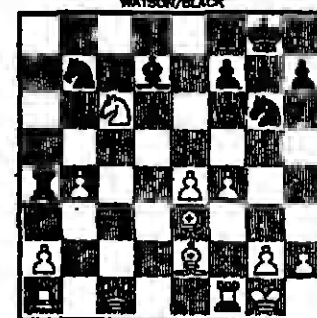
M	A	R	N	E	A	F	A	R	E					
E	A	R	N	E	A	S	T	E	E					
L	O	V	E	A	N	D	M	A	R	R	I	A	G	E
S	T	E	L	L	A	T	E	A	L	E	G	A	R	
P	R	E	V	I	D	E	S	U	I	T	I	E	M	
O	T	T	E	R	D	S	W	I	T	E	G	E		
E	A	R	N	E	A	S	T	E	E					
S	P	E	E	D	A	N	E	S	T	I	M	E	S	
O	V	E	R	E	V	E	T	I	N	G	L	I		
A	S	P	E	R	G	R	A	S						

AS THE CONSUMERS to a heroic quest, this is not very surprising, but it is an altogether fitting end to this curiously crabbed and oppressive adventure, in which Unsword once again, just as he did earlier in such accomplished novels as "Mooncrankers Gift" and "The Idol Hunter," has exercised his strange fascination with Turkey and the East during the early years of the present century, and thereby succeeded in fascinating his readers.

Christopher Lehmann-Haupt is on the staff of The New York Times.

By Robert Byrne

THE Soviet Georgian grandmaster Bakhuti Gurgendze and I tied for first place in the Zimbabwe Open International Tournament held at the Monomatapa Hotel in Harare. We each scored 8-1 in the nine-round, 100-entrant, Swiss system event, but I was awarded the winner's trophy for superior tie-break points.



Position after 19 ... B-Q2
and lost time with his offside.

Among those tied for fifth place, with scores of 6½-2½, were the international stars of the Warsaw team, Nana Iosadani, and Wladimir Botwin, and Nana Iosadani, the 1982 Soviet women's champion.

The shortest, most decisive game among the leaders was my seventeenth-round victory over Warsaw.

The advance \rightarrow P-K4,
rather than \rightarrow N-c3, is preferred.
2. \rightarrow P-Q4 was analyzed and
championed by the late Alexander
Keviz. of the Manhattan Chess
Club. His idea, after 3 P-P, NxP,
was to lure White into the overly
ambitious 4 \rightarrow P-KB4?, N-N3; 5 B-
K3, B-N5c6; 6 N-Q2, B-B5; 7 B-
K2, B-N5c6; 8 Q-K2, Q-B3;
9 Q-K4, 10 P-K5, N-N5, where
Black's dynamic counterplay gives
him the upper hand.

However, the calm, unburied 4 N-KB3 is stronger — oo 4... NcNch; 5 QxN, Q-B3; 6 Q-KN3, Q-KN3?; 7 QxP, QxPch; 8 B-K3, White had the superior pawn formation and development in the game between William Lombardy and Ricardo Calvo in the 1870's.

Kevitz himself played
0-0; N-Nch3; 7 BxN, N-K2; 8 0-0;
0-0; 9 N-N3, N-B3; 10 P-N3, R-K1;
11 B-N2, B-B1; 12 P-QB3, P-Q3
against Paul Keres in the
U.S.S.R.-U.S.A. Match in New
York, 1954, but after 13 P-B4.

White had a useful advantage in space.

Watson's alternative, 6... N-K2; 7 O-O, P-Q3, had the drawback of leaving his king bishop high and dry after 8 N-N3, which threatened 9 P-B3, B-QB4; 10 NxB, PxB, capturing Black's fawnadeed pawn structure. Thus, after 8... N-K7, B3; 9 P-B3, B-R4; 10 NxB, NxB, N-N had conceded the bishop-pair.

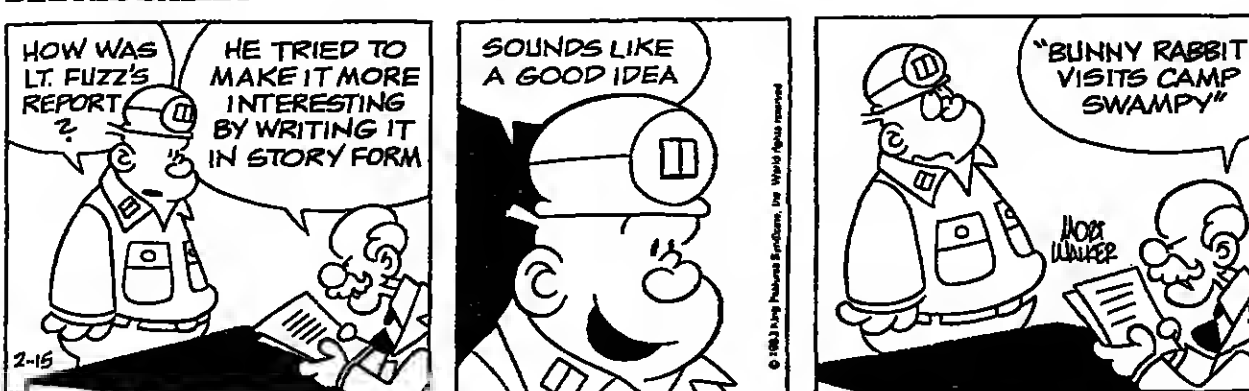
	HIGH LOW				HIGH LOW		
	C	F	C/F		C	F	C/F
ALABAMA	10	55	37	Cloudy			
ALASKA	15	30	37	Overcast			
ALBANY	15	30	37	Overcast			
ALBUQUERQUE	15	30	37	Overcast			
ANAKA	8	59	37	Fair			
ATLANTA	15	59	54	Fair			
BALTIMORE	15	59	54	Overcast			
BANGKOK	37	91	24	F5			
BEIJING	4	39	0	34	Fair		
BELGRADE	0	32	4	Cloudy			
BERLIN	0	32	4	Overcast			
BIRMINGHAM	0	46	19	Cloudy			
BOSTON	3	37	-4	Fair			
BRAZILIA	10	59	54	Fair			
BUCAREST	10	59	13	Fair			
BUDAPEST	0	32	0	32	Snow		
BURBANK	10	59	54	Fair			
CAIRO	28	73	15	59	Overcast		
CAYMAN ISLANDS	28	68	15	59	Cloudy		
CHICAGO	28	68	15	59	Cloudy		
COPENHAGEN	2	36	-4	21	Overcast		
DAMASCUS	0	32	4	21	Rain		
DENVER	10	59	54	Fair			
DUBLIN	4	39	2	36	Rain		
DUNEDIN	5	41	0	28	Overcast		
EDINBURGH	5	41	0	28	Overcast		
FLORENCE	0	32	4	28	Overcast		
GENEVA	0	32	4	28	Overcast		
GUANGZHOU	10	59	54	Fair			
HELSINKI	14	53	12	10	Fair		
HONG KONG	16	61	14	53	Overcast		
HOUSTON	16	61	7	45	Cloudy		
HYDRABAD	16	61	7	45	Cloudy		
JERUSALEM	11	52	9	39	Fair		
LAS PALMAS	20	68	15	54	Cloudy		
LONDON	10	59	54	Overcast			
LISBON	6	43	12	54	Overcast		
LONDON							
LOS ANGELES	22	70	11	52	Fair		
MANAGUA	22	70	11	52	Fair		
MANILA	32	90	21	70	Fair		
MEXICO CITY	12	54	10	50	Cloudy		
MIAMI	28	68	14	57	Cloudy		
MILAN	4	40	1	35	Snow		
MONTREAL	-4	25	-5	13	Cloudy		
MOSCOW	-7	19	-9	14	Snow		
MURKUM	10	59	54	Fair			
NAIROBI	27	81	14	57	Fair		
NASSAU	28	82	16	60	Cloudy		
NEW DELHI	24	73	12	54	Cloudy		
NEW YORK	10	59	54	Fair			
NICE	4	40	2	30	Stormy		
OSLO	4	32	-2	28	Overcast		
PARIS	0	32	4	28	Overcast		
PRAGUE	-2	28	-4	21	Rain		
REYKJAVIK	-2	36	0	32	Rain		
RIO DE JANEIRO	30	86	23	73	Overcast		
SAN FRANCISCO	28	82	23	73	Overcast		
SAD PALAMU	28	82	23	73	Overcast		
SEOUL	14	54	-5	23	Snow		
SINGAPORE	12	54	9	49	Cloudy		
SINGAPORE	12	54	9	49	Cloudy		
STOCKHOLM	-1	30	-2	28	Fair		
SYDNEY	28	82	28	82	Cloudy		
TAIPEI	16	61	7	45	Cloudy		
TBL AVTV	14	54	13	55	Overcast		
TOKYO	11	66	25	78	Overcast		
VALPARAISO	14	54	4	39	Cloudy		
VENICE	14	54	3	39	Rain		
VIENNA	-3	27	-9	16	Snow		
WARSAW	-4	25	-12	7	Fair		
WASHINGTON	10	59	54	Snow			
ZURICH	6	43	12	54	Overcast		

The net asset value (per share) of the funds managed by the Funds listed with the exception of some funds whose quotes are based on latest prices. The figures are as of 12/31/83. (M) = monthly; (Q) = quarterly; (B) = bi-monthly; (S) = semi-annual; (W) = weekly; (D) = daily	
AL-MAH MANAGEMENT CO. S.A. (in \$)-Al-Mah Trust	\$119.43
BANK JUKI JIN BAE & Co Ltd (in \$) (1) Common	\$7 30.30
(2) Preferred	\$7 102.88
(3) Subordinated	\$7 102.88
(4) Subordinated	\$7 102.88
(5) Subordinated	\$7 102.88
BANK OF ERNST & CHAG PONS (in \$) (1) C&P Fund	\$25.00
(2) C&P Fund	\$25.00
(3) C&P Fund	\$25.00
(4) C&P Fund	\$25.00
(5) C&P Fund	\$25.00
BRITANNIA, POB 271, St. Helier, Jersey (in £) (1) British American Corp.	1.2690
(2) British American Corp.	1.2690
(3) British American Corp.	1.2690
(4) British American Corp.	1.2690
(5) British American Corp.	1.2690
CAPITAL INTERNATIONAL (in \$) (1) Capital International	\$2.30
(2) Capital International	\$1.12
CREDIT SUISSE (ISSUE PRICES) (in \$) (1) Credit Suisse	\$2 28.75
(2) Credit Suisse	\$2 28.75
(3) Credit Suisse	\$2 28.75
(4) Credit Suisse	\$2 28.75
(5) Credit Suisse	\$2 28.75
DIT INVESTMENT FFM (in \$) (1) DIT Investment FFM	\$2 73.20
(2) DIT Investment FFM	\$2 73.20
FIDELITY POB 676 Hamilton, Bermuda (in \$) (1) American Funds Corp.	\$2 73.20
(2) American Funds Corp.	\$2 73.20
(3) American Funds Corp.	\$2 73.20
(4) American Funds Corp.	\$2 73.20
(5) American Funds Corp.	\$2 73.20
G.T. MANAGEMENT (UK) LTD (in £) (1) G.T. Management	\$4.55
(2) G.T. Management	\$4.55
(3) G.T. Management	\$4.55
(4) G.T. Management	\$4.55
(5) G.T. Management	\$4.55
INTERNATIONAL INCOME FUND (in \$) (1) International Income Fund	\$1.12
(2) International Income Fund	\$1.12
(3) International Income Fund	\$1.12
(4) International Income Fund	\$1.12
(5) International Income Fund	\$1.12
JARDINE FLEADING POB 922 P.O. Box 922 (in \$) (1) J.P. South East Asia	\$3.30
(2) J.P. South East Asia	\$3.30
(3) J.P. South East Asia	\$3.30
(4) J.P. South East Asia	\$3.30
(5) J.P. South East Asia	\$3.30
LYONDS BANK INT. POB 428 Geneva 11 (in \$) (1) Lyons Bank Int. Fund	\$2 28.75
(2) Lyons Bank Int. Fund	\$2 28.75
(3) Lyons Bank Int. Fund	\$2 28.75
(4) Lyons Bank Int. Fund	\$2 28.75
(5) Lyons Bank Int. Fund	\$2 28.75
MERCHANT BANK & TRUST CO. Ltd (in \$) (1) Merchant Bank	\$2 28.75
(2) Merchant Bank	\$2 28.75
(3) Merchant Bank	\$2 28.75
(4) Merchant Bank	\$2 28.75
(5) Merchant Bank	\$2 28.75
PARISBAS - GROUP (in \$) (1) Parisbas Group	\$2 28.75
(2) Parisbas Group	\$2 28.75
(3) Parisbas Group	\$2 28.75
(4) Parisbas Group	\$2 28.75
(5) Parisbas Group	\$2 28.75
RBC INVESTMENT Mgmt. POB 346 Geneva 11 (in \$) (1) RBC Int'l Income Fund	\$2 28.75
(2) RBC Int'l Income Fund	\$2 28.75
(3) RBC Int'l Income Fund	\$2 28.75
(4) RBC Int'l Income Fund	\$2 28.75
(5) RBC Int'l Income Fund	\$2 28.75
SOFIOP GROUP DENVER (in \$) (1) Sofiop Group	\$2 28.75
(2) Sofiop Group	\$2 28.75
(3) Sofiop Group	\$2 28.75
(4) Sofiop Group	\$2 28.75
(5) Sofiop Group	\$2 28.75
SWISS AMERICAN CORP. (in \$) (1) Swiss American Corp.	\$2 28.75
(2) Swiss American Corp.	\$2 28.75
(3) Swiss American Corp.	\$2 28.75
(4) Swiss American Corp.	\$2 28.75
(5) Swiss American Corp.	\$2 28.75
UNION BANK OF SWITZERLAND (in \$) (1) Union Bank of Sw.	\$2 28.75
(2) Union Bank of Sw.	\$2 28.75
(3) Union Bank of Sw.	\$2 28.75
(4) Union Bank of Sw.	\$2 28.75
(5) Union Bank of Sw.	\$2 28.75
Other Funds (in \$) (1) Arab Finance	\$1 75.15
(2) Arab Finance	\$1 75.15
(3) Arab Finance	\$1 75.15
(4) Arab Finance	\$1 75.15
(5) Arab Finance	\$1 75.15
UNITED STATES OF AMERICA (in \$) (1) United States of Am.	\$2 28.75
(2) United States of Am.	\$2 28.75
(3) United States of Am.	\$2 28.75
(4) United States of Am.	\$2 28.75
(5) United States of Am.	\$2 28.75

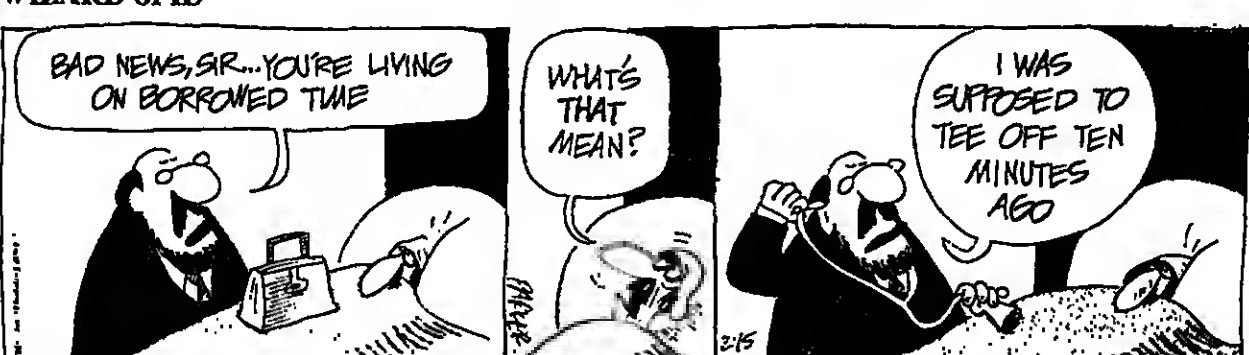
BLONDIE



BEETLE BAILEY



ANDY CAPP

**WIZARD of ID**

REX MORGAN



EXAMPLE

JUMBLE

by Henri Arnold and Bob Lee

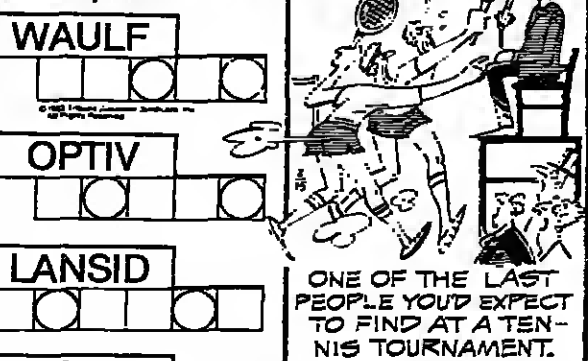
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

1

2

3

4



TAIXLY

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: A

Correct solution to Saturday's:

mbles: DADDY BELIE SUNDÆ OSSIFY
gwer: Looks like a girl with "nothing" - may not

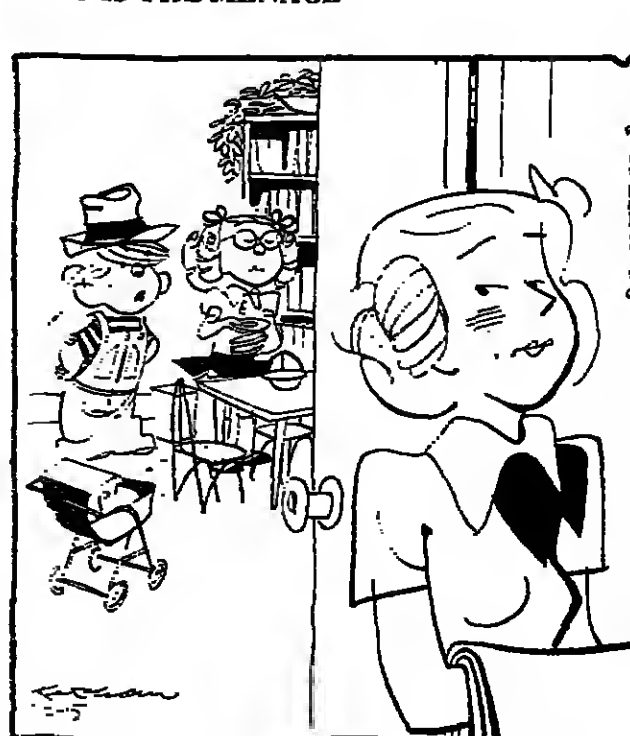
lawyer. Looks like a girl with nothing —may make a good catch—"LASS-O"

Answer: What the cattle raiser did when he got a bum
steak. BEEFED ABOUT IT.

steer—BEEFED ABOUT IT

Imprimé par Offorin, 73 rue de l'Evangile, 75018 Paris

DENNIS THE MENACE



"HOW COME WHEN WE PLAY HOUSE IT'S ALWAYS
TIME FOR ME TO TAKE OUT THE GARBAGE?"

